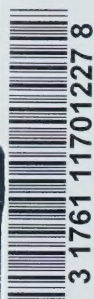


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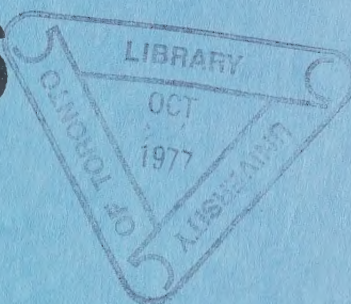
Government
Publications



Canadian Radio-television and
Telecommunications Commission

Conseil de la radiodiffusion et des
télécommunications canadiennes

1976



COMMENTS

COMMENTAIRES

Pay Television

Télévision à péage

VOLUME 2

Nos. 30 thru 49

Nos. 30 à 49

CA1
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76P17

PAY TELEVISION / TELEVISION A PEAGE

COMMENTS / COMMENTAIRES

BY ALPHABETICAL ORDER/PAR ORDRE ALPHABETIQUE

COMMENTS/COMMENTAIRES	NUMBER/NUMERO	
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ALBERTA THEATRE PROJECTS Calgary, Alberta	14	
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ASDA COMMUNICATIONS CONSULTANTS Ottawa, Ontario	61	
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ASTRAL BELLEVUE PATHE LTEE Montréal, Québec	54	N-20
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BARTHOLOMEW, MICHAEL Toronto, Ontario	49	N-12
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BELL CANADA Montreal, Quebec	55	N-18
BIRCH, GARY Scarboro, Ontario	2	N- 9
BMI CANADA LIMITED Don Mills, Ontario	50	
BOOK & PERIODICAL DEVELOPMENT COUNCIL Toronto, Ontario	101	
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CANADIAN ACTORS' EQUITY ASSOCIATION Toronto, Ontario	73	
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CANADIAN CHILDREN'S MAGAZINE Victoria, British Columbia	111	
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CANADIAN FILM AND TELEVISION ASSOCIATION / ASSOCIATION CANADIENNE DE CINEMA-TELEVISION Toronto, Ontario	37	

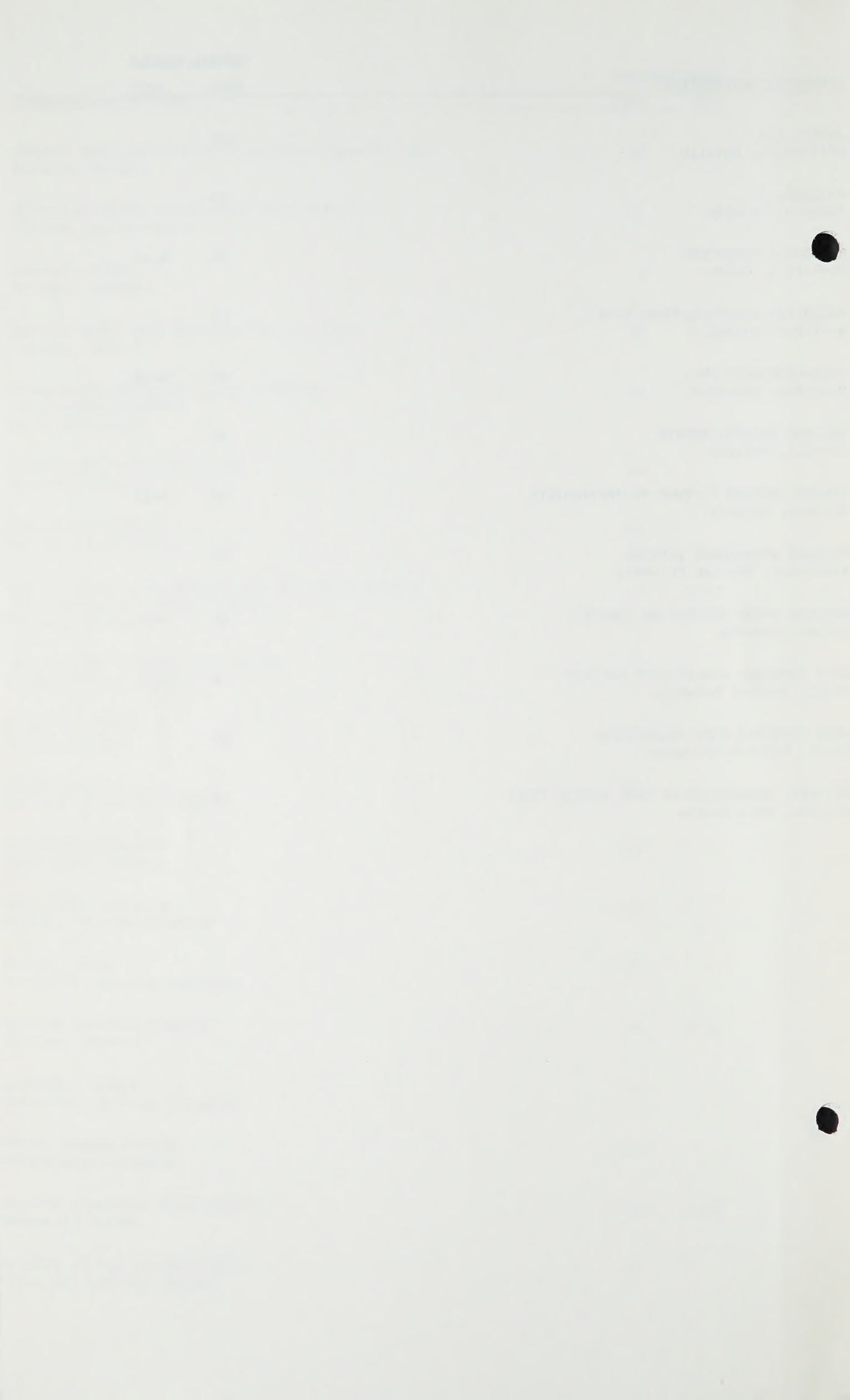
COMMENTS / COMMENTAIRES	NUMBER / NUMERO	
	1976	1977
CANADIAN FILM DEVELOPMENT CORPORATION/SOCIETE DE DEVELOPPEMENT DE L'INDUSTRIE CINEMATOGRAPHIQUE CANADIENNE Montreal, Quebec	100	
CANADIAN FOOTBALL LEAGUE Toronto, Ontario	11	
CANADIAN GUILD OF POTTERS Toronto, Ontario	104	
CANADIAN MUSIC COUNCIL Ottawa, Ontario	103	
CANADIAN PUPPET FESTIVALS Chester, Nova Scotia	20	
CANWEST BROADCASTING LTD. Winnipeg, Manitoba	57	
CARROLL, BRIAN M. Ottawa, Ontario	94	
CHANNEL SEVENTYNINE LIMITED Toronto, Ontario	60	N-37
CHAPLIN, MRS. EILEEN J. Mississauga, Ontario	33	
CHUM LIMITED Toronto, Ontario	68	
CINEO PRODUCTIONS Toronto, Ontario	80	N-33
CONSUMER'S ASSOCIATION OF CANADA/ASSOCIATION DES CONSOMMATEURS DU CANADA Ottawa, Ontario	30	N-26
CONTINUING COMMITTEE ON RACE RELATIONS, MEDIA SUBCOMMITTEE Toronto, Ontario	4	N-44
CORPORATION CIVITAS LIMITEE/CIVITAS CORPORATION LIMITED Montréal, Québec	46	
CORPS OF CANADIAN (OVERSEAS) FIRE FIGHTERS (THE) Toronto, Ontario	23	
COUNCIL OF CANADIAN FILMMAKERS (THE) Toronto, Ontario	77	N-58
DIRECTORS GUILD OF CANADA Toronto, Ontario	51	
EDMONTON VIDEO LIMITED Edmonton, Alberta	44	
ELECTROHOME LIMITED Kitchener, Ontario	35	

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FRONT COMMUN SUR LES COMMUNICATIONS Montréal, Québec	113	
GERRIDZEN, MRS. S.I. Toronto, Ontario	117	
GIBBONS, MISS JACQUELINE Fredericton, New Brunswick	18	
GLOBAL TELEVISION NETWORK Don Mills, Ontario	58	N-57
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GOVERNMENT OF NEWFOUNDLAND AND LABRADOR DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS St. John's, Newfoundland	107	N-54
GURION, STEVEN Toronto, Ontario	92	N- 3
HEMMINGS, TONY London, England	115	
HENDERSHOT, MISS L. Toronto, Ontario	118	
HOSSACK, MISS DONNA Vancouver, British Columbia	19	
INTER-CHURCH COMMUNICATION Toronto, Ontario	74	N-19
INTER-CHURCH TELEVISION (B.C.) Richmond, British Columbia	48	
JOINT BROADCAST COMMITTEE (ACA & ICA) Toronto, Ontario	63	N- 6
JOINT REPRESENTATION BY: AMERICAN FEDERATION OF MUSICIANS, ASSOCIATION OF CANADIAN TELEVISION AND RADIO ARTISTS, CANADIAN ACTORS' EQUITY ASSOCIATION AND THE CANADIAN LABOUR CONGRESS Ottawa, Ontario	31	
JOINT REPRESENTATION BY: ATLANTIC TELEVISION SYSTEM LIMITED, ATV CAPE BRETON LIMITED AND ATV NEW BRUNSWICK LIMITED Halifax, Nova Scotia	41	
JOINT REPRESENTATION BY: CNCP TELECOMMUNICATIONS AND AGRA INDUSTRIES LIMITED Toronto, Ontario & Montreal, Quebec	45	N-15
JOINT REPRESENTATION BY: CO-ORDINATING COMMITTEE OF THE CANADIAN CONFERENCE OF THE ARTS AND THE COUNCIL OF CANADIAN FILMMAKERS Toronto, Ontario	29	

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JOINT REPRESENTATION BY: MURRAY, B. PAUL & HIGGINS, PATRICIA L. fax, Nova Scotia	66	
JOINT REPRESENTATION BY: TRANS-CANADA TELEPHONE SYSTEM AND TELESAT CANADA Montreal, Quebec & Toronto, Ontario	53	N-30
JOLLIMORE, W.L. Wolfville, Nova Scotia	17	
KASSNER, M.H. Ottawa, Ontario	65	
LARKIN, MR. AND MRS. J.M. Toronto, Ontario	116	
LEITERMAN, DOUGLAS Toronto, Ontario	87	
LINDSAY SPECIALITY PRODUCTS LIMITED Lindsay, Ontario	42	
MADDEN, W.L. Sechelt, British Columbia	69	
MARQUIS, RUTH Thornhill, Ontario	95	
MARWICK, STUART Toronto, Ontario	78	
MID-CANADA TELEVISION Sudbury, Ontario	47	
MI MEDIATRONICS INTERNATIONAL LTD. Richmond, British Columbia	5	
MOFFAT COMMUNICATIONS LIMITED Winnipeg, Manitoba	27	
MOTION PICTURE THEATRE ASSOCIATIONS OF CANADA Toronto, Ontario	26	N-51
NDWT COMPANY (THE) Toronto, Ontario	13	
NIAGARA CO-AXIAL LIMITED Stoney Creek, Ontario	3	
OFFICE DES COMMUNICATIONS SOCIALES Montréal, Québec	25	

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	1976	1977
ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY (THE) Toronto, Ontario	98	
ORGANIZATION OF SASKATCHEWAN ARTS COUNCIL Estevan, Saskatchewan	67	
PEARSON, PETER Toronto, Ontario	9	
PRIVATE TELEVISION BROADCASTERS IN CANADA Toronto, Ontario	22	N-23
PRODUCTIONS MUTUELLES LIMITEE/MUTUAL PRODUCTIONS LIMITED Montréal, Québec	43	N-39
PROJECTIONS PRODUCTIONS LTD. Toronto, Ontario	21	
PRO-VISION LIMITED Halifax, Nova Scotia	108	
PTN PAY TELEVISION NETWORK LIMITED/RTP LE RESEAU DE TELEVISION A PEAGE LIMITEE Toronto, Ontario	28	N-13
LA RADIO DES PLAINES LTEE (CKVR) Drummondville, Québec	91	
RICHARD, JOHN D. Ottawa, Ontario	16	
ROBERTSON, H.G. Sechelt, British Columbia	105	
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ROSS, MRS. DULCIE A. Surrey, British Columbia	114	
SALTER, LIORA Vancouver, British Columbia	88	
SELKIRK HOLDINGS LIMITED Toronto, Ontario	76	N-40
SHANDREL, AEYRON Vancouver, British Columbia	15	
SMITH, ROXANN VIVIAN Mississauga, Ontario	102	
SOCIETE D'EDITION ELECTRONIQUE Montréal, Québec	59	N-56
SOCIETY OF FILM MAKERS (THE) Ville St. Laurent, Quebec	7	

COMMENTS/COMMENTAIRES	NUMBER/NUMERO	
	1976	1977
STORY, R.F. Willowdale, Ontario	120	
SWITZER, I. Toronto, Ontario	96	
CABLE VIDEOTRON St-Hubert, Québec	75	N-16
TELEMEDIA COMMUNICATIONS LTEE Montréal, Québec	93	
TELE-METROPOLE INC. Montréal, Québec	89	N-38
TEL-PRO ENTERTAINMENTS Toronto, Ontario	34	
TORONTO MOTION PICTURE PROJECTIONISTS Toronto, Ontario	99	N-32
WESTERN APPROACHES LIMITED Vancouver, British Columbia	56	
WESTERN CODED TELEVISION LIMITED Ottawa, Ontario	40	N-21
WEST KOOTENAY CABLEVISION SOCIETY Trail, British Columbia	8	
WEST KOOTENAY FILM PRODUCTIONS Trail, British Columbia	12	
WRITERS' FEDERATION OF NOVA SCOTIA (THE) Halifax, Nova Scotia	72	





CONSUMERS' ASSOCIATION OF CANADA
ASSOCIATION DES CONSOMMATEURS DU CANADA

NATIONAL OFFICE - SIEGE SOCIAL

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TELEPHONE (613) 238-4840

September 29, 1976

Mr. Guy Lefebvre
Secretary General
Canadian Radio-Television and
Telecommunications Commission
100 Metcalfe St.
Ottawa, Ontario



Dear Mr. Lefebvre:

Pursuant to the Public Announcement of the CRTC on June 30, 1976 in which it requested submissions concerning the development of a pay TV program agency (and the announcement of August 10, 1976 extending the deadline date for the filing of submissions to October 1, 1976) we are pleased to submit the enclosed brief for the consideration of the Commission.

As we indicated in paragraph 36 of the brief we request the opportunity to make a personal appearance and further oral representations to the Commission at the anticipated public hearing.

We have also enclosed a letter which we have sent to the Honourable Jeanne Sauv , Minister of Communications, which we feel is relevant to the submission we are making in our brief to the CRTC and would respectfully ask that you bring it to the attention of the Commission.

Yours very truly,

Greg Kane

Greg Kane
General Counsel

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Enclosures

Received by - Re u par
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SEP 29 1976

C. R. T. C.



CONSUMERS' ASSOCIATION OF CANADA
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TELEPHONE (613) 238-4840

SUBMISSION

TO THE

CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION

ON

PAY TELEVISION

October 1, 1976

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Appendix "A"

Appendix "B"

A. INTRODUCTION

1. Canadian broadcasting has survived and, in some areas, shown considerable strength despite the linguistic, geographic, economic and cultural differences with which we have had to contend. The development of a national broadcasting system has been slow, difficult and expensive. Yet it is possible that its demise could be swift and relatively easy if pay television is allowed to enter and grow without checks on its impact upon the Canadian broadcasting system as a whole.

2. This brief will maintain that the introduction of pay television is premature. When the time becomes appropriate for pay TV to proceed, the legitimate frame of reference to justify it must be in keeping with the original public interest design of the Canadian broadcasting system. The implementation of a comprehensive pay TV system must be done in such a way that it will enhance, encourage and enrich the Canadian broadcasting and communications culture, not be a threat to it.

B. BACKGROUND

3. On May 15, 1975 the Consumers' Association of Canada submitted a brief to the Canadian Radio-Television Commission concerning, inter alia, pay television. In June, 1975 the CRTC convened a public hearing to entertain

oral submissions relating to matters raised in this and other briefs which had previously been submitted. The conclusions of the CRTC were released in its Announcement of December 16, 1975 entitled, "Policies Respecting Broadcasting Receiving Undertakings (Cable Television)".

4. In that Announcement of December 16, 1975 the CRTC concluded, with respect to pay TV, that:

"...it is premature to introduce a comprehensive pay television service into Canada at this time."

5. In a speech to the Canadian Cable Television Association on June 2, 1976 the Honourable Jeanne Sauv , Minister of Communications, stated:

"The establishment of pay television service on a large scale is inevitable ... As a result, and in order to encourage you and other interest groups to update the submissions you placed before the CRTC last June - and to comment on what I have said today - I have asked the CRTC to call for and receive submissions from the public until September first of this year on the structural development of pay TV."

(The CRTC in its public announcement of August 10, 1976 extended the deadline date for the filing of submissions to October 1, 1976.)

C. RECONSIDERATION

6. One may fairly ask the question, "Why has a policy which took the CRTC almost one year to formulate been reversed in the extremely short period of five months?" It is our submission that the change in policy has not come about because of a re-evaluation of the intrinsic nature of the industry or because it would enhance Canadian broadcasting. Rather, it has come about because of external pressures which have been felt by both the political and regulatory sectors.

7. These pressures have been generated by an actual or intended avoidance of existing regulations enunciated by the CRTC. The actual avoidance is evidenced by companies (such as Network One in Toronto) which offer a pay TV service to an apartment complex or a hotel on a closed-circuit basis. The implied pressure is being exerted by Provincial Governments (such as Ontario, Saskatchewan, British Columbia and Quebec) which have announced their intention to establish both cable and pay television networks within their own provinces.

8. In other words, no new analysis emerged between September, 1975 and June, 1976 to indicate the existence of any benefits from the introduction of a pay TV system which were not apparent in September, 1975. However,

over this period it was observed that there was an actual or intended introduction of both cable and pay TV distribution systems which would be outside the control of the regulatory authority of the Government of Canada.

D. RATIONALE FOR INTRODUCTION OF PAY TV SYSTEM

9. In her speech of June 2, 1976 Madame Sauvé asked,

"...could not pay television make a contribution to solving the most crucial problem in Canadian broadcasting, that is the underdeveloped state of the Canadian program production industry."

The following paragraph in her speech estimated the potential revenues which would probably be generated by the introduction of a pay television system. On the assumption that the system would be distributed through cable television outlets, and on the assumption that 15% of cable television subscribers elected to take pay television, and on the assumption that 15% of gross pay TV revenues could be devoted to Canadian program production then "close to \$6 million would accrue per year". Using the same assumptions, except that the penetration rate would be 35%, then "about \$13.5 million" would accrue per year. This analysis concluded,

"...it becomes obvious that pay television revenues could have an enormously positive impact on Canadian program production."

10. The above analysis which estimates that some \$6-\$13.5 million could be generated for Canadian program production might be called the "acceptable exploitation theory". This theory indicates that we have "an opportunity to grab a hold of a pile of cash that has never before been available" (in the words of the President of Pay Television Network Limited) and that we will make a portion of it (15% has been proposed) available to nurture the Canadian production industry.

11. That we are now reconsidering the implementation of a comprehensive pay TV system in Canada because of a possible infusion of (optimistically) some \$6 to \$13.5 million per year for the Canadian production industry is a sad indictment on initiative and ingenuity in Canada. In other words, if we have to resort to the massive importation of foreign films to be distributed on a pay television network (which is the type of fare that will be distributed in the beginning of such a system) to a distinct minority of Canadians in order to raise some \$6 - \$13.5 million for Canadian production facilities, then we fully deserve whatever results accrue.

12. Looking more carefully at what we have called the "acceptable exploitation theory" it is important to understand how the figure of "15% of gross pay TV revenues" which will be devoted to Canadian program production

has been arrived at. In her speech of June 2, 1976

Madame Sauvé stated,

"You will recall that the CRTC and a representative group of cablecasters have suggested that 15% of gross pay TV revenues could be devoted to Canadian program production."

In fact, there is absolutely no foundation in the public domain to substantiate the 15% figure. It is an artificial and contrived palliative that incredibly is the focus for the economic analysis justifying the introduction of pay TV in Canada.

13. Since this 15% figure has been raised in the context of the distribution of a pay television system through the existing cable television network it might be worth examining a specific example within the cable television industry where a percentage of revenue criteria already exists. Specifically, the CRTC has issued a policy statement to the effect that licensees devote a minimum of 10% of their gross annual subscriber revenue to the operation of their community channel. An example of how this works in reality is evidenced by a recent interview with the Vice President of Programming for Rogers Cable TV Limited of Toronto who said in an interview published in the Toronto "Globe and Mail" on July 30, 1976 that,

"Rogers will spend more than \$600,000 this year on community programming, which represents about 5% of its total revenue from cable."

(Please see Appendix A for a copy of the text.)

Other examples could be provided; however, the important point to bear in mind is that policies such as "10% of gross revenues could be assigned to community programming" and "15% of gross revenues could be assigned to the Canadian program production industry" are, in reality, desired goals and do not necessarily reflect the immediate situation. Therefore, a re-examination of the desirability of introducing a comprehensive pay TV system in Canada must not be based upon speculative assumptions which may in fact not be borne out.

14. In this context we would urge that the cautiously realistic comments of the then Secretary of State be compared with the almost naive optimism of the Minister of Communications expressed in quotations which have been set out above. In a speech to the Canadian Broadcasting League National Conference on August 10, 1976 the Honourable J. Hugh Faulkner stated,

"Certainly I am not ready to yield to pressure from enthusiasts whose main interest is in the large revenues they anticipate from this new system. Very few of us in this country feel an urgent need for yet another television channel, especially one for which we will have to pay another fee."

E. IMPLEMENTATION OF A PAY TELEVISION SYSTEM THROUGH THE EXISTING CABLE TELEVISION FACILITIES

15. Following Madame Sauvé's speech on June 2, 1976, which was delivered before the Canadian Cable Television Association, that same Association on June 4, 1976

incorporated "Pay Television Network Limited" as its vehicle to develop programming for pay TV. It is intended that this new company will act as a buyer of American and Canadian movies and other programs, a seller of pay services to cable companies and a source of financing for Canadian program production. Thus the motivation of the Canadian Cable Television Association is two-fold: there is the profit motive and the desire to nurture the Canadian production industry.

16. The profit motive is largely contingent upon the successes being experienced in the United States with the distribution of pay television systems through cable television. But once again it is important to keep the success in perspective. In the United States pay television has been in existence since the early 1950's and it is only very recently that it has enjoyed substantial success. This success has largely been achieved by the distribution of pay television systems through cable television operations. Thus the enthusiasm of the Canadian Cable Television Association. But is this not yet another example of Canadian moths being attracted to the United States flame of success? Cable television in the United States is an entirely different phenomena than in Canada. Cable television in the United States is basically a rural phenomena while in Canada it is an urban phenomena. Notions such as community programming are not being effected through cable television in the United States,

but they are in Canada. We have yet to be told why this United States success will necessarily result in Canada.

17. Indeed, if another reason for the Cable Television Association finding pay television to be an attractive proposition at this time stems from the success of private companies avoiding CRTC regulations with operations such as Network One in Toronto, then why not allow these companies to continue for some time in the free enterprise market so that we can judge - from a financial point of view in particular - whether or not they indicate the possibility of success. We already have the spectre of failure with respect to pay TV through the Etobicoke experience and it may be to the benefit of all concerned to have a pilot project to examine prior to any decision concerning the comprehensive implementation of pay TV in Canada. A system such as Network One, and the others which are presently operating on a closed-circuit basis, could very well serve such a purpose. Rather than act precipitously to prevent such companies from continuing their operations they should be left to their own devices for the time being so that results could be carefully scrutinized to determine whether or not there is public acceptability.

18. In fact, pilot projects of the type mentioned in paragraph 17 may not be sufficient. Comprehensive and statistically reliable market surveys must also be conducted in concert with such pilot projects. It will be the thorough examination of data produced from these sources that will allow all concerned to really determine the viability of pay TV. Clearly, CRTC policy must be based upon solid research data and analysis, not "arm chair" guessing.

F. OTHER PROPOSALS TO IMPLEMENT A PAY TELEVISION SYSTEM

19. Since Madame Sauvé's speech of June 2, 1976 there have been few alternative proposals to the Canadian Cable Television Association proposal to implement a comprehensive pay television service in Canada. There have been indications by the CTV Television Network and representatives of the Canadian filmmaking industry, for example, that they will present schemes for the implementation of pay TV in Canada. The dearth of alternative proposals and the lack of detail of those released is eloquent testimony to the haste with which this concept is being re-considered.

G. "ACCEPTABLE EXPLOITATION THEORY" RESTATED

20. Pay TV has to be examined on two fronts. First, how is this new communication system going to enhance

and enrich Canadian broadcasting and Canadian culture? .
And secondly, what impact will there be on the Canadian Broadcasting Corporation, our current public interest oriented system?

21. The response to the first question is quite clear. If the system is allowed to develop with a minimum of planning and a minimum of government regulation, then it will reinforce the place of American entertainment, issues and norms in Canadian homes. As Commissioner Fabish stated to the CAC intervenors at the September 9, 1976 hearing of an application by McLean-Hunter Cable TV Limited (London, Ontario): "With unfettered choice we would wind up with a system as un-Canadian as you could imagine. We wouldn't have a Canadian system, in my view".

22. In response to the second question, the CBC is the most likely loser of its already fragmented television audience. Not only has cable television imported the U.S. signal to provide strong competition, but also what is left of the CBC, that is, Canadian sports, will be a likely candidate for the pay television system to eventually bid for and successfully obtain (see Appendix B which discusses the exhibiting of the 1976 Grey Cup game on pay TV in the United States). This will leave the CBC in the embarrassing position in which its leading

programs would be almost totally American. Currently one could argue that even without pay TV the CBC is in violation of its mandate to enhance and to enrich the Canadian broadcasting scene because of the concentration of American programming. Pay TV will exacerbate the situation.

23. What can be done? The establishment of a non-governmental body responsible for pay TV on behalf of the public interest would avoid both problems.

24. Look at the figures. It is estimated that with three million cable subscribers in Canada, approximately one million of those will take the additional pay TV service at approximately \$8.00 per month (or roughly \$100 million per year). Of that, 15% or \$15 million could go to a telecommunications industry that will deliver the pay TV signal. The Cable Television Association, the CTV network, Telesat, the TransCanada Telephone System, CN-CP, or a totally new telecommunications organization could bid for the right to deliver the signal as a common carrier or public utility. The balance, that is, \$85 million could then be directed towards creating a Canadian-based software industry. This Canadian-based body could promote activities as divergent as summer workshops for grade school children in animation techniques, all the way to the writing, acting and successful completion of first-run feature films.

25. Only with a massive infusion of funds from pay TV are we likely to generate the high quality Canadian content that will be successful, not only in attracting Canadian viewers, but also in having the potential for international sales. Secondly, there is an onus on the government to engage in activities that will ensure that there is a sufficient technical and professional capacity in the field of broadcasting and communications so that future generations of Canadian viewers will have available to them Canadian television programs of the highest quality. Such a body would facilitate the development of programs and network facilities to carry pay TV programming of both an original and a purchased nature. Furthermore, it would be responsible for conducting research and training in the use and development of video and film techniques. What is vitally important is that the bulk of the revenue generated from pay television, rather than being a threat to and a further fragmentation of the Canadian viewing audience, will in fact enhance and enrich the future of broadcasting in Canada by directing its revenues into both the training and production of first rate materials for Canadian as well as, hopefully, international audiences.

H. SOCIAL CONSEQUENCES

26. It is reasonable to assume that the distribution system which is involved with the implementation of

a comprehensive pay television service in Canada will include at least partially, if not entirely, cable television facilities. As indicated above, cable television in Canada is an urban phenomena; therefore, we automatically exclude approximately 20% of Canadian citizens, who live in rural areas and who do not have cable facilities available to them, from the reception of pay television services. It is extremely important at this time to ensure that adequate provision will be made for rural citizens in Canada who at the moment and possibly in the future as well, will not have cable television - hence pay TV - services offered to them.

27. But even within the 47% of Canadian households who have the opportunity to become attached to cable television services there are many who simply cannot afford cable television. At the present rate of approximately \$6 per month (not to mention installation charges and the charge for converter if the full range of service is to be obtained) many Canadians are unable to afford cable television. If subscribing to this facility is a necessary prerequisite to obtaining the pay television offerings then these people will be excluded every bit as much as those who do not have the cable facilities available to them. A charge of some \$8 - \$10 per month for pay television added to an existing bill of \$6 per month for basic service and \$2.50 per month for the

extended service is prohibitive to people on low and fixed incomes. We must be particularly conscious of any aspect of the broadcasting sector becoming an elitist service.

I. CONCLUSION

28. It is our respectful submission that all of the reasons for which we have been requested to submit a brief "on the form and function of an organization, institution or agency to assemble, produce and acquire programming for distribution to licensed broadcast undertakings for pay television on a national or regional basis in English and in French", are ill-timed and based upon incomplete or fallacious reasoning.

29. The December, 1975 conclusion of the CRTC that "...it is premature to introduce a comprehensive pay television service into Canada at this time" is still the operative conclusion.

30. Pay TV will be premature until the very serious jurisdictional problems confronting the CRTC are resolved.

31. Pay TV will be premature until the effects of the many policy announcements of the Commission have been assessed.

32. Pay TV will be premature until the CRTC characterizes and regulates the cable television industry as a public utility.

33. The introduction of a pay television service will impact upon the existing broadcasting system more profoundly than any other factor in the history of broadcasting in Canada. A decision to introduce a new distribution system for a pay television service is critical because the profound changes which will be brought to bear upon this existing system will be irreversible. We respectfully urge the CRTC to call a halt to the introduction of a pay television service at this time.

34. In addition to the issues which have been indicated in paragraphs 30 through 32 above, there are the extremely important issues which were addressed by the then Secretary of State in his August 10, 1976 speech to the Canadian Broadcasting League National Conference. Two paragraphs from that speech merit special attention at this time:

"I cannot for the life of me feel much enthusiasm for this development if it is allowed to proceed carelessly. Broadcasters, especially the CBC, will find themselves in further peril as their dwindling audiences defect to the new medium. It seems to me inevitable that without careful planning and a strong Canadian program production industry for years to come those long hours on the Pay TV channels will be filled largely with foreign product.

On the other hand, there are potential benefits that can be derived from Pay TV if its entry and administration are planned and controlled. If we can find a way of assuring that there is decent attention given to Canadian programming on the Pay TV channel; that Pay TV does not rob programs from broadcast channels, and that a reasonable amount of the money generated by the system is returned to Canadian production, it is possible that we will come out in the black in cultural terms. As Secretary of State, concerned with the production of film, broadcast programs and their distribution to audiences, I am not prepared to have Pay TV thrust upon us before we are ready to assure these three essentials."
(Our emphasis.)

35. Nevertheless, we accept the fact that in the long run "the establishment of pay television service on a large scale is inevitable". In order to eventually implement a system which is most advantageous to the Canadian milieu it is vital that the public have the opportunity to scrutinize - during an adequate period of time - a variety of distribution proposals. It can be safely stated that Canadians literally do not even know what pay television means. How then can they be asked to decide upon any number of proposals to implement a system about which they have no knowledge. It is incumbent upon the Department of Communications to first of all educate the Canadian public about pay television. Following such a period they can then be asked to decide the question of whether they want such a system. And only after those two stages have been completed should

they be asked "for submissions on the form and function of an organization, institution or agency to assemble, produce and acquire programming for distribution to licensed broadcast undertakings for pay television on a national or regional basis in English and in French".

36. We request the opportunity to make a personal appearance and further oral representations to the Commission at the anticipated public hearing.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

T. Gregory Kane
General Counsel
Consumers' Association of Canada

Appendix "A"

THE INTERVIEW WITH VICE PRESIDENT OF PROGRAMMING
FOR ROGERS CABLE TV LIMITED -
TORONTO "GLOBE AND MAIL" July 30, 1976

14 27 July 1976
Cable industry future felt limitless as sky

By PATRICK HOWE

The future for the cable industry is as limitless as the sky. According to Philip Lind, chairman of the Canadian Cable Television Association, the industry's two main problems have been an unwillingness to invest heavily in research and development and a tendency for over-regulation by government.

Mr. Lind, who is also vice-president of programming for Rogers Cable TV Ltd. of Toronto, said in an interview that the cable industry must be allowed to expand its revenue base. It cannot "go anywhere" by being limited to transmitting signals from conventional broadcasters.

The cable industry has become increasingly software oriented in recent years, concentrating on programming



MAN IN
THE NEWS

for its so-called community channels. Mr. Lind's enthusiasm knows no bounds when he starts talking about programming opportunities for cable operators, particularly for his own firm, which has

established a number of precedents in this area.

One of the brightest prospects is, of course, pay-TV, which is catching on in a big way in the United States. But the glitter of pay-TV will only pay off financially in Canada for cable operators if the Canadian Radio-Television and Telecommunications Commission allows it to go ahead on terms acceptable for the industry.

Add to this the possibility of transmitting by satellite rather than coaxial cable. The concept of a single-channel pay-TV network could also be expanded to serve multi-cultural needs or cover live events anywhere in the world.

The thrust of cable operators has been direct-access, community programming, which differs from the mass

audiences that conventional broadcasting outlets must have in order to obtain maximum advertising revenues and ensure survival.

Cable operators in the United States "have really let themselves down," Mr. Lind believes. They have not been willing to reinvest profits into such things as community programming to gain a social acceptance from the public and regulatory bodies.

In Canada, community programming is just developing. Senior cable executives are spending an increasing amount of time on programming. "The concept will not fully evolve in a couple of years; it's going to take a decade or more."

The situation at Rogers is not unusual from what happens elsewhere. The company's cable business has about 185,690 subscribers in the Toronto area, each paying a flat monthly fee for a basic 12-channel service with an optional converter for an extra charge.

Rogers will spend more than \$600,000 this year on community programming, which represents about 5 per cent of its total revenue from cable. Rogers regularly holds classes to train people on how to use production equipment and prepare programming for its community channels.

At any one time, between 30 and 40 people will be receiving training on the production of programs, ranging from how to hold a camera to editing videotape.

At one time, CRTC hearings of licence applications and renewals for cable operators tended to focus largely on technical aspects of the service. But Mr. Lind says this has changed to the point where most questioning from CRTC commissioners concerns serving community needs.

SPORTS EVENTS AND PAY TELEVISION

Aug 27
**CFL confirms
pay TV in U.S.**

Aug 27/76
Commissioner Jake Gaudaur has confirmed that the Canadian Football League has entered into an agreement with Home Box Office in the United States to carry the 1976 Grey Cup game on pay TV.

Home Box Office is a wholly-owned subsidiary of Time Inc.

The agreement, which HBO paid \$50,000 to acquire, gives the pay-TV firm the right to offer up to five other CFL games during the season to determine subscriber interest in Canadian professional football.

Initially three season games and two playoff games probably will be offered to HBO's 600,000 subscribers in 32 states, starting with the Montreal Alouettes at Ottawa Rough Riders on Sept. 11.

HBO was the first company to provide a cable pay television programming service in the United States. —CP

Upon reading the above story which appeared in the August 27, 1976 edition of the Toronto "Globe and Mail" the Consumers' Association of Canada wrote to Commissioner Gaudaur to request further information with respect to the exhibiting of the 1976 Grey Cup Game on pay television in the United States. Mr. Gaudaur was asked how the agreement varied with past practice respecting Canadian Games on U.S. television and whether there had been a projection made of revenues to be gained by distributing the product on pay rather than conventional television.

In reply to our questions, Mr. Gaudaur sent us a copy of the brief which he filed with the CRTC on August 24, 1976.

We have set out the fact of our correspondence with the Canadian Football League because we feel that the brief which they have submitted to the CRTC is particularly instructive of the approach that will be taken by professional sporting authorities and the exhibiting of their products on television and pay television. We would suggest that the conclusion of the Canadian Football League as stated at page 2 of their brief is a helpful summary of the approach that will be taken by professional sporting organizations in Canada. That conclusion stated:

"The Canadian Football League supports the principle of pay TV as a desirable broadening of options for the Canadian television viewer provided that the agency or organization which was authorized to acquire product to distribute as television programming to licensed broadcast outlets and/or the broadcast outlets themselves would not 'air' such programming without the authorization of the producer of the product... We do not feel pay TV should be encumbered in any way which would preclude it from competing with existing forms of broadcasting in Canada. At the same time pay television should not be given any competitive edge and should be regulated to no less degree by the Canadian Radio-Television and Telecommunications Commission than are other forms of broadcasting in Canada."

The obvious implication from that broad conclusion is that it very directly raises the spectre of "siphoning" with respect to the broadcasting of Canadian Football League games. These fears were immediately allayed, however, through an analysis of the present policies concerning the televising of CFL games with this analysis being conducted both within and without of the established "black out" areas (a black out area being within 75 miles of the city in which the CFL game is being played).

The conclusion of the analysis "outside of the black out area" was that,

"...it is highly improbable that in the foreseeable future there would be an application of pay TV through the exhibition of Canadian Football League games on television in Canada outside of the black out area."

A somewhat similar conclusion was drawn with respect to games "inside the black out area" to the following effect,

"...few if any Clubs of the Canadian Football League would opt to sell the right to pay TV to exhibit its games in the black out area."

Accepting those disclaimers and putting aside the broadcasting of Canadian Football League games on television in Canada and looking rather at sporting events in general there is a great deal of concern validly expressed with respect to the issue of siphoning. This is particularly the case if pay TV is not encumbered in any way which

B4

would preclude it from competing with existing forms of broadcasting in Canada. The economics are simply too attractive.

For example, the recent Canada Cup hockey series attracted television interest well in excess of the normal viewing patterns of National Hockey League and World Hockey Association hockey games during the regular season broadcasting. It was estimated that some 5.46 million households watched the Canada-Russia hockey game on September 11, 1976. Assuming that the pay television facility would be available to all of these houses on a pay per program basis and assuming that the charge for this particular program might be \$3, the game itself could have generated a gross revenue of approximately \$16.5 million. At a more likely price of \$5 for this particular program the revenue generated in one evening by a pay television system on a pay per program basis would be an astonishing \$27.3 million.

It is from events and calculations such as this that one can better appreciate statements such as the one Madame Sauvé made in her oft-quoted speech of June 2, 1976,

"As you are undoubtedly aware, pay television will probably generate substantial revenues."

B5

To relate this Appendix to the main portion of the brief, we reiterate that the economics of pay TV - what we have called the "acceptable exploitation theory" - must not be the focus for any analysis which will determine the justification for introducing pay TV in Canada. Once again we would suggest that the cautiously realistic words of the then Secretary of State (in his speech to the Canadian Broadcasting League on August 10, 1976) best summarizes the situation:

"Certainly I am not ready to yield to pressure from enthusiasts whose main interest is in the large revenues they anticipate from this new system. Very few of us in this country feel an urgent need for yet another television channel, especially one for which we will have to pay another fee."



CONSUMERS' ASSOCIATION OF CANADA
ASSOCIATION DES CONSOMMATEURS DU CANADA

NATIONAL OFFICE - SIEGE SOCIAL

251 LAURIER AVE. W. - #801 - 251 OUEST, AVE. LAURIER,
OTTAWA, ONTARIO K1P 5Z7
TELEPHONE (613) 238-4840

September 29, 1976

Honourable Jeanne Sauvé
Minister of Communications
Journal Tower/North Building
300 Slater St.
Ottawa, Ontario
K1A 0C8

Dear Madame Sauvé:

I have enclosed with this letter a copy of the Pay Television Brief which the Consumers' Association of Canada filed today with the Canadian Radio-Television and Telecommunications Commission, the receipt of which by the CRTC was in conformity with your direction contained in a speech to the Annual Meeting of the Canadian Cable Television Association on June 2, 1976.

It is implicit in our brief to the CRTC - and I will say frankly and directly at this time - that we consider you have done a great disservice to the citizens of Canada by seeking to reverse the considered policy position of the CRTC, an independent and expert regulatory tribunal, in the remarkably short time of some 5 months.

On April 14, 1975 the CRTC called for briefs concerning inter alia, pay television. Briefs were submitted by May 1975, and a public hearing was convened in June 1975. As a result of this process, conducted entirely within the public domain, the CRTC in December 1975, announced its policy with respect to pay television in the following terms:

"...it is premature to introduce a comprehensive pay television service in Canada at this time."

It was generally felt in December 1975, that the policy announcement of the CRTC would effectively delay the introduction of a comprehensive pay television service in Canada for a considerable period. Indeed, spokesmen for the cable television industry conceded it to be a period in the order of 5 years. However, as mentioned above, on June 2, 1976, during a speech (coincidentally)

to the Annual Meeting of the Canadian Cable Television Association, you sought to reverse the policy position as enunciated by the CRTC, characterizing the introduction of pay television as "inevitable" and calling upon the CRTC to "receive submissions from the public...on the structural development of pay TV".

The astounding aspect of all this is that it has taken place with a total absence of an adequate explanation justifying such a drastic step. For example, in your speech to the CCTA you dwelled extensively upon the "negative impact" that pay television might have and discussed such diverse issues as "foreign interests acquiring a virtual monopoly over exhibition and distribution", "siphoning", "fragmentation", "the communications disparity between urban and rural areas", and the tendency "to cater to the lowest common denominator of the viewing audience". Having raised these serious issues you then suddenly stated in the penultimate paragraph of your speech:

"Nor is pay TV a dire threat to the Canadian broadcasting system."

We would like to know the basis for that statement. It would be our respectful submission that this can only be done at the anticipated public hearings which we trust will be convened to consider the briefs which you have requested the CRTC to receive. Given the importance of the issue generally to all Canadians, we would further respectfully suggest that you should personally appear at such a public hearing to explain why you consider that the CRTC should change its policy on pay television.

Respectfully yours,

Greg Kane

T. Gregory Kane
General Counsel

mjl
Enclosure



President/Président

Joe Morris

Secretary-Treasurer

Secrétaire-trésorier

Donald Montgomery

Executive Vice-Presidents

Vice-présidents exécutifs

Shirley G. E. Carr

Julien Major

2841 Riverside Drive, Ottawa, Canada (613) 521-3400

Cable/Câble: CANLABCON

Refer to/Référence

September 29, 1976

COMMENT
COMMENTAIRE

31

Received - Reçu
Executive Assistant's Office
Bureau du Chef de Cabinet
SEP 29 1976

C. R. T. C. - Ottawa

Mr. H.J. Boyle
Chairman
Canadian Radio-Television and
Telecommunications Commission
Berger Building
100 Metcalfe Street
K1A 0N2

Dear Mr. Boyle:

Enclosed please find twenty copies of a brief setting out the views of the American Federation of Musicians, Association of Canadian Television and Radio Artists, Canadian Actors' Equity Association, and the Canadian Labour Congress. This brief is in response to the announcement made by the Minister of Communications, Jeanne Sauvé, regarding the Government's proposal to introduce Pay-TV.

Would you please arrange for the executive members of the Commission to receive a copy of the enclosed briefs.

The representatives of the organizations joining in this submission would also appreciate the opportunity of appearing before your Commission when it begins hearing the views of those parties interested in Pay-TV.

Sincerely yours,

Donald Montgomery
Secretary-Treasurer.

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SUBMISSION

by

AMERICAN FEDERATION OF MUSICIANS
ASSOCIATION OF CANADIAN TELEVISION AND RADIO ARTISTS
(ACTRA)

CANADIAN ACTORS' EQUITY ASSOCIATION
CANADIAN LABOUR CONGRESS

to

CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION

on

THE SUBJECT OF PAY-TV IN CANADA

September 28, 1976

The June 1976 announcement by the Minister of Communications, Madame Jeanne Sauve, concerning the introduction of Pay-TV and the subsequent announcement by the CRTC requesting submissions from interested parties on the matter, have prompted a flurry of activity in the broadcasting and film industry.

Privately owned television networks express concern over the potential impact of Pay-TV in fragmenting the viewing audience for the advertiser to an even greater extent, compounding the fragmentation caused by cable in Canada in recent years. Such fragmentation will threaten the advertising revenues of private television networks, and therefore the existence of the networks and private stations.

Cable operators express an optimistic view - a willingness, nay a possessive desire, to control Pay-TV in the hope of realizing a gross revenue of millions of dollars. Following the retiring of hardware costs, cable operators foresee a profit bonanza equal to, if not greater than, present cable profit ratio.

Such potential revenues will naturally create a struggle for control, and the matter of monopoly growth will take on new dimensions as future years witness the expansion of Pay-TV into a replacement for present broadcasting enterprises.

PAY-TV - A LIMITED SERVICE

Present proponents of Pay-TV refer to this new service as providing first run movies to Pay-TV subscribers at approximately the same time as such films are shown in downtown movie theatres in metropolitan areas. Thus the Pay-TV viewer will be able to see such movie films on his television set a year or two earlier than at present.

In addition, special events not generally provided by currently operating television networks would be available - ranging from special sporting events to concerts, opera, ballet and stage plays. This is the limited program fare promised by potential Pay-TV operators.

A NEW ELEMENT IN BROADCASTING AND ENTERTAINMENT

In our view, Pay-TV is a new element in the broadcasting and entertainment system in Canada. It is an element that has the potential to do great harm to Canada's existing entertainment industry if considered in isolation from the interdependent Canadian broadcasting and entertainment system. Pay-TV will develop at the expense of off-air broadcasting, the movie house, the live theatre, the stadium, the arena and other places of audience interest and entertainment.

We believe, that any new element introduced into the overall system can only be justified if it strengthens the interdependent broadcasting and entertainment industry. If Pay-TV does not strengthen Canada's capacity to produce entertainment programs, employ Canadian creative, performing, technical and production skills and resources, Pay-TV will be a negative and destructive competitive factor in the cultural fabric of Canada.

TIMING - THE NEED FOR PUBLIC DEBATE ON PAY-TV'S ROLE IN INDUSTRY

The effect of Pay-TV on existing broadcasting enterprises is not fully determined; nor have the technical means of distribution been determined for long term results, cost and feasibility.

What is now known, presents a bleak picture for the future of the broadcasting industry. In our view, whatever safeguards are adopted in law, by regulation or by voluntary undertakings, Pay-TV will erode the broadcasting system. The result will be less program production in Canada and the returns suggested from Pay-TV for indigenous production of film and television programming will not offset the loss of overall Canadian program production as provided by the publicly financed and privately owned networks at present.

We are disturbed by what appears to be "unseemly haste" to license Pay-TV.

In our view, the most positive and constructive step at this juncture would be to determine whether Pay-TV, as a vigorous new element in the entertainment industry, can "safeguard, enrich and strengthen the

cultural, political, social and economic fabric of Canada; ..."
(Broadcasting Act 1966).

In this context, we urge that the proper time be taken to study the matter before rushing to grant licenses. Such a study must include public hearings on the two basic elements of the Pay-TV operation -- THE CARRIER - THE PROGRAMS.

THE CARRIER

The first essential is for public examination to determine the nature of the delivery system.

We believe that the delivery system should be a common carrier as presently defined in law and Federal regulations. Whether such a delivery system should be by land line, off-air cable, microwave or satellite would depend on which facility can best meet the needs of the nation.

We further believe that such a carrier should have no responsibility for the acquisition, production, commissioning or scheduling of programs. The separation of the medium from the message is imperative in any formula for Pay-TV if it is seriously intended to help strengthen Canada's capacity to produce programs on a greater scale.

The function of the common carrier is to provide an effective delivery system using the most up-to-date technology, operating at cost and governed by the profit controls applicable to a common carrier in Canada.

To place programming in proper perspective relative to the total system, the delivery system itself must be budgeted and must function as an independent element.

Audiences will pay to see programs. Programs are the business of professionals; writers, performers, directors, producers, whose function must be kept separate from the housekeeping of the delivery system.

The matter of the delivery system must be the subject of a study and public hearing to assess the technology currently available and the new generations of technology soon to be available. Only in this responsible manner can we avoid errors of haste which, in the past, have resulted; for example, in the inferior quality of colour television available in Canada as compared to the system adopted in Europe.

The number of channels available for Pay-TV must be carefully examined in the light of their effect on

- (a) further audience fragmentation, and
- (b) siphoning of both audience and programs from the off-air system.

PROGRAMS

The second matter which requires separate study and public examination is the means by which Pay-TV is to acquire, produce and schedule programs.

The last thing Canada needs is yet another vehicle for the distribution of foreign television programs.

We believe that Pay-TV programming must be controlled by a non-profit public agency with the exclusive authority to acquire, produce and schedule the Pay-TV programs.

We must find a means by which we can prevent an undue incursion into our broadcast schedules by foreign program packages. We see a consistently strong Canadian program identity as the necessary protection for the information and entertainment communication system. A public examination of Pay-TV programming will consider these important prerequisites and in that forum develop satisfactory answers.


Other subjects requiring public scrutiny are:

- (a) Method of Payment: We endorse a "box office" or "pay-for-play" system which will allow the viewer to exercise the greatest degree of personal choice and as a result reflect directly in the income of the producer.


- (b) Method of Collection: We propose that the common carrier function as the collection agency on behalf of the programmers and scheduling authority. Following the payment of actual expenses incurred in the operation of the system, the revenue generated by the "box office" method must flow directly to the programmer for the production of high quality Canadian programming.

Above all, we urge that the Canadian government not rush to a decision before the role of Pay-TV is determined within the context of Canada's broadcasting and entertainment needs.

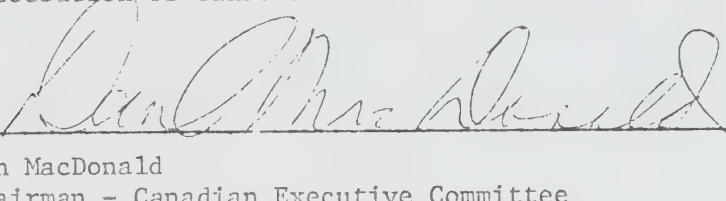
RESPECTFULLY SUBMITTED ON BEHALF OF,



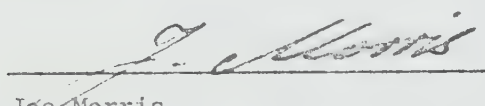
J. Alan Wood
Vice-President - Canada
American Federation of Musicians



Donald R. Parrish
National President
Association of Canadian Television and Radio Artists (ACTRA)



Dan MacDonald
Chairman - Canadian Executive Committee
Canadian Actors' Equity Association



Joe Morris
President
Canadian Labour Congress



Canadian
Broadcasting
Corporation
P.O. Box 8478
Ottawa, Ontario
K1G 3J5

Société
Radio-
Canada

24 September 1976

COMMENT
COMMENTAIRE

32

Mr. Guy Lefebvre
Director-General
Canadian Radio-Television & Telecommunications
Commission
100 Metcalfe Street
Ottawa, Ontario
K1A 0N2

Dear Mr. Lefebvre:

In response to the Commission's call for briefs on the subject of Pay Television I am enclosing 25 copies of the Corporation's brief.

In developing our position we have become increasingly aware of both the complexity and importance of the question of Pay Television in Canada and of the limited knowledge within the country generally concerning the possible impact of this new broadcasting development on Parliament's objectives for the Canadian broadcasting system.

We therefore suggest in our brief that the Commission arrange to hold public hearings on the subject in order to afford the widest possible discussion and understanding of the implications of Pay-TV for Canadians. We further urge that any decisions or actions affecting the future of Pay-TV be deferred pending such hearings.

Yours sincerely,



A.W. Johnson
President

(Enc.)

Received by - Reçu par
SECRETARIAT

SEP 30 1976

C. R. R. C.



Canadian
Broadcasting
Corporation

Société
Radio-
Canada

Pay television in Canada:

The CBC's view

PAY TELEVISION IN CANADA:

THE CBC'S VIEW

Brief presented to the
Canadian Radio-television and Telecommunications Commission

September 30, 1976

PAY TELEVISION IN CANADA:

THE CBC VIEW

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I - SETTING PAY TV IN PERSPECTIVE

Bringing and keeping Canadians together has been a persistent preoccupation of this nation from its beginning. Our very geography has given us little choice. So there runs through our history and indeed is to be found in our psyche, the story of railways, telecommunications, highways, airlines and broadcasting.

From the early beginning of broadcasting, it was perceived by Canada's leaders that this new force would have a fundamental impact on the social and cultural development of the nation. The Aird Commission on radio broadcasting, for example, established in 1929 to explore how broadcasting should be organized, predicted that "broadcasting will undoubtedly become a great force in fostering national spirit and interpreting national citizenship". The promise of these words has, in varying measure, been realized over the years, as broadcasting in Canada has made its contribution to our social, cultural, political, and economic development. In 1951, the Massey Commission was able to report that "the system recommended by the Aird Commission has developed into the greatest single agency for national unity, understanding, and enlightenment". In 1976 it remains that broadcasting stands as a central force in the power and the potential for nurturing Canadian nationhood.

In 1968, after thirty years of experience in the development of broadcasting in Canada, Parliament reshaped and articulated the objectives for Canadian broadcasting, in the Broadcasting Act. In the Act, Parliament spoke of a Canadian broadcasting system combining public and private broadcasters, and charged them, in the ensemble, with providing all Canadians with radio and television service, in English and French. The nature of the broadcasting system expected was defined in the Act. It was to be Canadian — "effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada". "Predominantly Canadian creative and other resources" were to be used. The broadcasting system was to provide "varied and comprehensive" programming, with the publicly-owned element of the system, the CBC, being charged more specifically with providing "a balanced service of information, enlightenment and entertainment". The system, particularly the public part of the system, was to reflect Canada to Canadians, to help them to know and understand the parts of Canada and, in turn, the whole as well. It was "to contribute to the development of national unity and provide for a continuing expression of Canadian identity".

These and other objectives — objectives of high purpose — were carefully and deliberately set out in the Act to provide a framework and an orientation for Canadian broadcasters. The overall goal was clear: the Canadian broadcasting system, it was expected, would strive to contribute directly to the preservation and enrichment of Canadianism. This is fundamental to an understanding of Parliament's purpose, and to the purpose of the broadcasting system. The system itself, and any changes suggested for it, can only be judged in this context.

This Act of Parliament, it should be said, stands as firmly and soundly today as it did in 1968. Almost ten years have passed since the legislation was prepared, yet the Act's objectives remain as fresh and relevant as ever. Their relevance, indeed, is enhanced when one seeks to assess the performance of the broadcasting system since 1968 — or for that matter the formidable odds Canadian broadcasters have come to confront.

On the one hand, the potential for providing Canadians with broadcasting service, in English and French, has greatly increased — the capacity of the system, its "hardware", has greatly proliferated. The CBC in particular has continued to extend its coverage, stimulated and supported by an Accelerated Coverage Plan designed to provide public radio and television coverage to virtually all Canadians. The so-called "second" or private commercial television services have also extended their coverage. And a third English-language television service has been licenced in major Ontario cities. Of equal, if not even greater significance, has been the explosion of television service by cable — now subscribed to by nearly one in two Canadian houses. Canada, indeed, is now the world's most "wired" nation, having available to it, the widest choice in the world in television programming, largely in the form of American and Canadian programmes. We estimate that by 1980 some eighty per cent of Canadian households will have access to cable with just under of seven out of ten of them subscribing to it. Taken together these are startling accomplishments in the drive to proliferate the system — to provide Canadians with the widest possible broadcasting services. And remarkable accomplishments too in extending to all Canadians the Canadian services Parliament had in mind.

But the accomplishments of this proliferated broadcasting system cannot all be said to be encouraging — particularly when assessed against the objectives of the Broadcasting Act. It is true that Canadian radio is successful, at least in terms of the patronage of Canadians: most of us spend most of our radio time listening to Canadian radio. But television is today's dominant medium, both in terms of the amount of time Canadians spend watching it, and in terms of its overall impact. And what are the facts of television today? The most impelling one is that most Canadians spend most of their time watching foreign, mainly American, programmes. In English-speaking Canada, only one-third of television viewing time is spent watching Canadian programmes. And much of that viewing falls into the two categories of sports and information programming. In French Canada, foreign programming is also popular: in Montreal, about 45 per cent of the viewing time of Francophones is spent watching foreign programming — 35 per cent in the French language and ten per cent in English.

These few but stark and startling statistics suggest to us a genuine cause for concern. And that concern has to do not with the Canadian broadcasting system's potential to reach Canadians, but rather its capacity to provide them with Canadian programming — programming that they will choose to watch with frequency, regularity, and satisfaction. So it is that we believe everything that is done in broadcasting, every change that is proposed to the broadcasting system should be measured against the Act's objectives. Does it or does it not contribute to Parliament's purpose; to Canadian broadcasting?

And so it is with pay television.

II - DEFINING THE LIKELY CHARACTER

OF PAY TV IN CANADA

It is widely recognized by observers of the Canadian broadcasting system that pay television is a new and important development. In fact, it is the most recent of a series of fundamental developments that have been reshaping the Canadian broadcasting system over the past ten years or so. Accordingly, pay TV must be analyzed both in and of itself, and equally must be considered in the larger context of the system as a whole and its constituent elements. Such an analysis and evaluation are essential to an understanding of the likely character of pay TV in Canada, and to an understanding of its probable impact on Canadian broadcasting. Throughout the pay TV discussion, it has seemed to us to be important to distinguish clearly between those things which may be desirable, from those which are, in all likelihood possible.

Admittedly, defining the likely character of pay TV in Canada is not a straightforward task. It is possible, however, to speculate upon and to make some predictions about the shape and character pay TV likely would take if introduced into Canada. Such speculation draws upon actual experience with the medium in the United States, and on studies that have been made of it there and elsewhere. It is possible thus to discern a probable scenario for pay TV in Canada.

In summary, it seems clear to us that:

1. Pay TV must be looked upon as an alternative to "free" television — but one that is bound to be available to many fewer persons;
2. It is a medium offering "box office" type mass entertainment programming, chiefly feature films and sports — if U.S. experience is any guide;
3. In Canada, it would be virtually certain to be patterned on the successful U.S. model and thus to be dominated by American movies and sports — given the most optimistic estimate as to the number of Canadian films our film industry will be able successfully to produce for pay TV and theatrical distributors;
4. Because of its central characteristics, pay TV would not be an appropriate vehicle for the specialized programming that is not yet being offered on off-air television;

5. Because of the existence of other public and private institutions in Canada, pay TV would not be an appropriate vehicle for producing, commissioning or financing feature films.

We have reached these conclusions for these reasons:

1. Pay TV must be looked upon as an alternative to free television — but pay TV is by its very nature fundamentally different from free television in its economic basis. Regular television service has been made widely and freely available to virtually everyone in Canada and the U.S., by government appropriation and/or commercial advertising.

On the other hand, pay TV is fundamentally different in its economic basis. "Customers" pay directly for programming offered, on either a pay-per-program or per-channel basis. And the pay service can be available either on coaxial cable or off-air. But there are very important coverage limitations, particularly given Canada's geography and broadcasting policy history. Specifically, pay TV coverage is likely, for the foreseeable future, to be limited to the more heavily populated urban areas. Furthermore, it will be limited to those households with an ability to pay the not insubstantial cost of the pay TV service.

2. Pay TV is a medium offering "box office" type mass entertainment programming, chiefly feature films and sports. American pay TV operators have discovered, after years of trial and error, that American households will pay for feature films that are made available without commercials, soon after first-run exhibition and well before release to free television. And they will pay for major sports events not now available on free television (for example, Home Box Office (HBO) offers its subscribers home games of major sports teams on a regional basis). But they seem unwilling to pay for virtually anything else.

It is important to note that U.S. experience shows clearly that deviations from the movie and sports programming formula are unprofitable, usually fatal. The record is clear: people are largely unwilling to pay for "special" events, such as theatre, ballet, and so on. Federal Communications Commission (FCC) regulations do require pay TV operators to program at least ten per cent non-sports and film programming, but this content requirement is viewed as a constraint, a kind of "cost of business". Consequently, Pay operators typically programme this 10 per cent category indifferently, relying on low cost shorts, travelogues and such "fillers".

The U.S. pay TV industry, as it now is constituted would appear to be on firm ground, despite its shaky start-up and continuing rapid evolution. The dominant network operation (HBO) is well-financed (by Time Inc.), and is rapidly acquiring solid market and managerial experience. At present, in the neighbourhood of three-quarters of a million homes in the U.S. are receiving pay TV — about one per cent of total homes. But availability of pay TV is limited, both because penetration of cable television is comparatively low (only 18 per cent of U.S. homes are cabled,

as opposed to 48 per cent in Canada), and because FCC administrative progress on over-the-air pay TV (STV) has been slow. (Over-the-air pay TV, as an alternative to pay cable service, is based on transmission of a UHF frequency which is then descrambled by a household converter. It is attractive in the U.S. for various reasons, and most especially the fact that most U.S. cities are not yet cabled. Many applications are now being processed.) U.S. pay TV growth will continue with conservative estimates suggesting that three million households will be subscribing to pay TV by 1980. Even U.S. broadcasters, long actively opposed to pay TV, concede that it will be a "nice little business".

3. In Canada, pay TV would be virtually certain to be dominated by U.S. movies and sports in order to survive -- we judge other presumptions about Pay's likely character to be unrealistic. The strong and broadly based attraction of American cultural "products", especially films and television programmes, is too well known to require any elaboration in this submission. From a business standpoint, the economics of pay TV would be more or less similar in Canada (although the comparatively mature cable industry -- if it were chosen to distribute the service -- would face a much lower capital investment and risk than its American counterparts). So it seems highly likely that prospective Canadian pay TV operators would develop their programming along similar lines.

This proposition requires elaboration, since so often the proponents of pay TV hold out the promise of Canadian programming -- and particularly Canadian feature films -- as a kind of lure. But this lure, it seems to us, is illusory if one looks at the likely pay TV schedule as a whole and considers the amount of programming that would actually be required. One must ask how many good Canadian feature films could be produced in a year, even given substantial additional financing and a stronger and more highly rationalized industry? Estimates vary widely, since both the heart and the mind are at work. Some say five or six feature films a year are possible in English Canada, some say more. Whatever is said, the order of magnitude of any realistic estimate is modest indeed in view of the voracious programming demands of any likely pay TV schedule. Clearly this means the bulk of the programming would be American, and, to a much smaller extent, British.*

It is argued by some that a high -- and mandatory -- quota for Canadian feature films ultimately would bring forth more good Canadian films. There is no doubt in our minds that Canadian feature films would -- and should -- be a welcome and appealing element of any Canadian pay TV service. But again, to be realistic, it seems clear that pay TV, if it

* The leading pay-per-channel U.S. operator, Home Box Office (HBO), was programming recently on a 12 hours per day, seven days per week basis. Such a schedule obviously demands a considerable amount of programming. In June 1976, for instance, HBO showed 23 films. In this context, even if one Canadian feature film could be made available each month for a Canadian pay TV service, the service would inevitably remain overwhelmingly foreign in character.

were to succeed, would require dozens of films annually. This level of demand is far too great to be met in Canada. In fact, money available from pay TV for investment in films would not support a great number of feature film ventures, given the typical multi-million dollar cost of such ventures.

Moreover, it would be a mistake to assume that pay TV would provide a limitless market for Canadian films of whatever quality. The imperatives of the marketplace — i.e., the \$100 per year, or so, which pay TV would cost subscribers — would force any pay TV operator to provide the fare that appeals to the typical Canadian consumer. And that fare, if one is to be realistic about it, would be largely American. In all, it seems clear that pay TV would not provide a panacea for the problems of the Canadian film industry.

4. Pay TV is not an appropriate vehicle for the specialized programming not yet being offered on off-air television. It is argued by some that pay TV would afford an opportunity for the production and exposure of more specialized programming, such as regional performing arts activities and the like. The CBC certainly supports the view that various regional activities should be shown on television. And we try, subject to the real constraint of limited resources, to make some such events freely available. But we do not believe that pay TV is the appropriate vehicle for this purpose, once Canadians decide they can afford such specialized television programming.

We say this for practical reasons, as well as for reasons of principle. First, as we have already suggested, there is no evidence that specialized, minority-appeal programming will succeed on pay TV; in the fact, the evidence is to the contrary — people clearly and overwhelmingly prefer mass-appeal, box office type entertainment, especially movies and sports programming. This preference is equally evident in viewing patterns for free television. And there is no reason to believe that people who typically do not view specialized programming when it is freely available, would pay for it if it were available on pay TV.

Second, and more important to us, there is a fundamental principle at stake. There is in our country an undeniable need and perceptible demand for such specialized programming. The Broadcasting Act, indeed, is specific in its call for a regular flow of regional information and entertainment programming, and, more generally, for programming that is directed to national unity and identity. This being the case, one wonders what the argument is for saying that any additional regional programming (produced as a consequence of pay TV being introduced) should be shown only to those who are offered the service, and who can afford to pay for it? Just because part of pay TV's profits might be allocated to specialized programming of this kind, why should such programs be produced for and shown on pay TV? Surely the more sensible course would be to allocate

those profits to regular broadcasters who, in turn, would produce the programs for more general viewing. Canadian broadcasters have the skills and the production capacity to produce such programming and it is their job to make television programming freely available to as many Canadians as possible.

It is our view, in short, that Canadians should be offered a wide range of Canadian programming — programming that does not duplicate what presently is being offered on existing Canadian services. But pay TV is not the way to accomplish this: surely a better way would be a second CBC channel, carried on cable, and one available to all cable subscribers — not just those who can afford a pay channel. Certainly this is our view. And it seems to us that the time for introducing a CBC cable channel is particularly propitious. Parliament will soon decide whether it wants to televise the proceedings in the House of Commons. Were it to decide to do so, a second and non-commercial CBC channel could properly be established to provide as many Canadians as possible with basic parliamentary coverage. Beyond providing this basic service, such a second CBC service could be designed by the CBC to show "specialty" programming of national and regional interest. The concept seems to us an exciting one — one which would provide the fullest coverage both for Parliament and for specialized programming, but short of another, very expensive, on-air CBC service. We are now in the process of developing the concept more fully.

5. Pay TV is not an appropriate vehicle for producing, commissioning or financing feature films. This proposition, like the preceding ones, is based upon practical considerations, as well as upon principle. First, it seems to us neither sensible nor useful to duplicate in a pay TV enterprise the present role being played by the Canadian Film Development Corporation (CFDC). This agency now is charged with the job of assisting, investing in and rationalizing Canadian film production: why duplicate it? Secondly, it does not seem to us, as a matter of general principle, that the further dispersal of the production, commissioning or financing of film and television production makes sense in a country like Canada: we have too few resources, spread over too much territory, to be able to afford a multiplication of such enterprises. Indeed, the mere multiplication of enterprises does not necessarily lead to accomplishment and excellence, as so often is argued: all too frequently the evidence shows that it leads in the opposite direction.

For these reasons, we would argue that pay TV, if it were to be established in Canada, should buy its programmes from the existing production sources. It seems evident to us that production facilities and equipment are now available in the public and private sectors — the hardware is not scarce. What are scarce, and always will be, are the creative programming ideas and the human and financial resources needed for their realization. There may be a role for Pay TV in this connection — but not as a producer.

To argue otherwise would be to press for yet another programming agency in an already crowded field. In effect, it would be to press for the creation one more bureaucracy on the apparent assumption that excellence is somehow achieved by the proliferation of bureaucracies — a manifestly questionable assumption!

* * *

In sum, our speculations upon the likely character of a pay TV service, should it be introduced into Canada, lead us to conclude that it is important to recognize pay TV for what it is elsewhere and would be here — namely, a service which would inevitably be dominated by American feature films and sports events. It is, therefore, essential not to conceive of or look to pay TV as some kind of panacea or cure for the ills, real and imagined, of Canada's film and broadcasting industries. Surely Canadians do not need to import more American culture in order to solve their own cultural problems? And if that is not the reason for establishing pay TV in Canada, then what is?

III - EVALUATING PAY TV'S POTENTIAL

COSTS AND BENEFITS

Our evaluation of the costs and benefits of pay TV in Canada is carried out in light of our perspective of what pay would and would not likely be in Canada. First, we look briefly at the likely costs, if pay TV were to be introduced into Canada, examining the likely "cultural" impact on English and French Canada. Then, assuming pay TV would spread throughout English Canada, we estimate the other main costs of pay TV -- notably its likely impact on audiences, and their viewing of Canadian programming, and also the risk of pay TV "siphoning" programming events and talent presently shown on and employed by free TV. Finally, we analyze the benefits of pay TV, notably the profit that could be generated to serve the objectives of the Canadian broadcasting system.

In brief, we conclude that the net "cost" of introducing pay TV would be high, in terms both of the likely impact on the existing elements of the broadcasting system, and, at best, its limited and very indirect contribution to the achievement of the aims and objectives of the Broadcasting Act. More specifically, we conclude that:

1. In English-speaking Canada, the introduction of pay TV would further increase the already large-scale importation of American programming, with all of the associated cultural consequences, thus further unbalancing the overall system, and compounding the already formidable odds facing Canadian broadcasters in the intense competition for Canadian viewership;
2. In French Canada, pay TV would appear to be questionable in terms both of its likely disruptive cultural impact, and its economic soundness;
3. Pay TV would further fragment Canadian television audiences and would decrease the viewing of Canadian programming, especially if it were to proceed on a pay-per-channel basis;
4. Pay TV would naturally and inevitably pose program and talent "siphoning" risks to free television networks and independents -- especially if a mandatory Canadian content requirement were to be imposed upon pay TV.

Each of these "costs" can be elaborated on briefly.

1. In English-speaking Canada, the establishment of pay TV would further increase the importation of American programming, and so further increase the already intense competition for Canadian viewers. The economics of a pay TV service are much less problematical in English than in French Canada — English-language pay TV would likely be an economic success if it were allowed to develop (we discuss the economics of an English-language pay service later in this submission). But the cultural costs of pay TV are substantial indeed. First, given the inevitable character of pay TV programming — its overwhelmingly U.S. feature films and sports content — the availability of imported television programming, already extensive, would be increased still further (we estimate that more than 90 per cent of any pay-per-channel service could be expected to be foreign; foreign content on a pay-per-program service could be yet higher).

Second, given the entertainment character of pay TV programming, the effort to achieve in the Canadian broadcasting system an appropriate balance as between information, enlightenment and entertainment programming would receive another setback. In fact, as the CRTC has already observed, the present balance among programs which seek to inform, enlighten and entertain Canadians, is open to question — especially during prime time. Certainly attempts to achieve a better balance are not aided by large scale and widespread importation of U.S. television services. (There is virtually no non-entertainment programming, for example, in the prime time schedules of American networks.) Pay TV could not help matters.

2. In French Canada, pay TV looks questionable on at least two important grounds.

(a) French language pay TV, if allowed to develop, would have a serious "cultural" impact — unquestionably the most important objection to French pay TV. Any French pay TV service would have to be comprised predominantly of foreign programming, dubbed or subtitled in the French language. Such a service would have a considerable impact on the French language components of the Canadian broadcasting system, altering appreciably the system's balance by greatly increasing the availability of foreign programming.

In English-speaking Canada, we estimate that fully two-thirds of television viewing time is spent watching foreign, mostly U.S. and Canadian channels. And in Toronto, where the supply of American programming is relatively greater, the proportion of viewing time spent watching foreign programming is almost three-fourths. In French Canada, on the other hand, foreign programming attracts a lower proportion of total viewing time — although a recent analysis shows the proportion of viewing time spent on foreign programming in French-language households as high as 45 per cent.*

* The CBC recently undertook a special computer run of BBM ratings for French language households in the Montreal area as a means of assessing viewership of programming by country of origin. This study revealed that more than half (55 per cent) of the French speaking households' viewing time (in a typical week, over the complete broadcasting day) was spent viewing programs of Canadian origin in the French language; the balance of 45 per cent was spent viewing foreign programming — 35 per cent in the French language and 10 per cent in English (on English-speaking channels, of course).

There appear to be three major reasons for the lesser appeal at present of foreign programming in French-language households — (1) the availability of relatively less foreign programming in the French as opposed to the English language, (2) a general disinclination by French-language households to watch much foreign programming in the English language, and, very important, (3) the comparatively strong appeal of Canadian French-language programming to French households. A French-language pay TV, if introduced, would upset this balance — and certainly would increase the viewing of foreign programming by French-speaking Canadian households.

As well, the potential impact of an English-language pay TV service, were it to become available to French-speaking households, warrants careful consideration. The appeal of an English Pay service, overwhelmingly foreign in content, could draw more French-speaking viewers away from French-language Canadian programs now available on regular television.

(b) The economic prospects for French-language pay TV do not seem generally attractive. The economic success of any pay TV service depends, obviously, on the customer demand for, and the cost of, the service. On the one hand, it is uncertain what the demand would be for a service dominated by dubbed foreign (mainly U.S.) films and sports, but it would not, in our view, match expected demand in English-speaking Canada (where estimates of the proportion of households which would subscribe to pay TV vary between 15 and 40 per cent). One indication that demand for French pay TV would be relatively low is the current limited development of the basic cable television service in French-language homes, compared to English. There are just 360,000 French-speaking homes with cable, representing 23 per cent of total French Canadian homes, compared to 48 per cent penetration in English-speaking homes. If French "pay penetration" were, like that of basic cable, to be just one-half of that which might be expected in English-speaking Canada (say, 12 per cent), total "pay homes" would be just 43,000 — and the limited revenue yield would mean comparatively low "profits" for investment in Canadian program production.*

On the other hand, the costs of providing a French-language pay TV service would be relatively higher. In general, this

* The basic economics of this rough working estimate are as follows: 360,000 French-language homes have cable. If Pay penetration were 12 per cent (about 50 per cent of the typical English Pay penetration estimate), then French pay TV homes would total about 43,200. If each home paid \$8 per month, the annual gross pay revenue would be about \$4.1 million. And if 20 per cent of this \$4.1 million gross revenue were made available for Canadian production, some \$800,000 would be generated — an insignificant amount for a 52 week-per-year service.

would be because of the higher fixed costs of any French programming operation compared to an English operation, given the predictable differences in customer-base (possibly only 43,200 French-speaking households compared to, say, 600,000 or more English).

3. Pay TV would further fragment Canadian audiences and decrease the viewing of Canadian programs, especially were it to proceed on a pay-per-channel basis. The fragmentation of television audiences is already extensive in Canada — this we all know. The increasing penetration of cable and the licencing of new stations and networks are the primary reasons for the fragmentation. These developments have been widely analyzed and frequently commented upon — certainly the facts are well known to the Commission. Pay TV would, in our view, still further fragment television audiences: our estimate is that off-air broadcasters could suffer a loss in audience of between four and eight percentage points if pay-per-channel television were introduced. What the loss would be if pay-per-programme were to be introduced is more difficult to estimate, but we think it would be a good deal smaller. For the decision to pay for and watch a particular movie or sports event is more likely to be akin to a decision to attend such presentations outside the home.

Whatever the case, an increase in the availability of foreign programming would lead to a further reduction in the proportion of the viewing time spent by Canadians watching Canadian programmes. It is demonstrable, based on actual Canadian experience, that the addition of alternative television channels most often leads to a reduction in the viewing of programmes by Canadians. Such a reduction was expected — indeed was inevitable — when U.S. channels became available, whether delivered off-air or via coaxial cable. Less expected was the erosion of the viewing of Canadian programming as a consequence of the licencing over recent years of third Canadian stations and networks — notwithstanding the continuing and mandatory 50 per cent Canadian content regulation.

So why should we expect anything else of pay TV than a reduction in viewing of Canadian programming — particularly from pay-per-channel television? How could we come to any other conclusion than that its introduction would work against the objective of increasing the proportion of Canadians' viewing time spent watching Canadian programmes? Surely the decline in the viewing of Canadian programming can no longer be written of as "modest". At some point, even those who are most sanguine about the importation of U.S. culture must become disturbed.*

A word should be added about the difference between pay-per-channel or pay-per-programme. On the per-channel basis, subscribers pay a flat monthly fee for a schedule of programmes which is then available

* CBC research has estimated that in Toronto if penetration of pay TV were 25 per cent, viewing of American programming between 6-12 p.m. would increase from 75 to 77 per cent of viewing hours. At 50 per cent penetration, U.S. viewing would reach fully 79 per cent.

for viewing at any time during the programming day. On the per-programme basis, customers pay only for programmes they specifically choose to watch. In Canada, as in the U.S., the relevant private sector interests favour the per-channel approach — as a first step on the road to the eventual multiplication of Pay services on a per-programme basis. Pay-per-channel is favoured for start-up purposes for two basic reasons. First, per-channel payment is deemed to be more likely to develop and entrench the pay TV concept than is pay-per-programme; the Pay concept is not yet established with consumers and evidence suggests the risks of disaffection increase with the number of times a consumer has to reconsider the pay TV investment — per-channel minimizes the number of such decisions. Second, the technology of the "addressable" hardware required for per-programme operations is not yet perfected, and the existing prototype costs are high relative to non-addressable boxes (or traps) used for per-channel operations. So the economics favour delay too.

The costs of bringing pay-per-channel into operation, on the other hand, would be higher than those of introducing pay-per-programme. Essentially, this is so since the amount of programming made available and, in turn, watched would likely be greater on the pay-per-channel basis. Once the monthly fee is paid, the service is provided daily on an indiscriminate basis, available at once to any member of a subscribing household, including children.

To us, as we have said, it seems inevitable that the per-channel approach would result in greater audience fragmentation and viewer loss by regular broadcasters. Also, the per-channel approach, because it requires more programming to fill its schedule, would pose greater siphoning risks to regular Canadian broadcasters than would the per-programme service.

4. Pay TV would naturally and inevitably present "siphoning" risks to off-air broadcasters — especially if there were to be a mandatory Canadian content requirement for pay TV. The Commission is well aware of the nature and magnitude of the "siphoning" issue as it relates to pay TV; indeed, this issue was an important part of the Commission's February 1975 Background Paper. In this paper, it was clearly recognized — as it was by various intervenors at the subsequent Public Hearings in June 1975 — that anti-siphoning regulations would have to be mandatory, both to protect the already precarious economic base of existing off-air broadcasters, and to ensure the continuing widespread access for Canadian viewers to major events. No one, at least so far as we are aware, has ever suggested that, say, Stanley Cup hockey should be available only to those Canadians who have both access to pay TV, and the ability to pay the price. Such an eventuality would clearly be at odds with the basic philosophy and principles of the Canadian broadcasting system.

The siphoning issue merits some amplification. It is generally agreed that risks of siphoning by pay TV would arise in two areas — programming and talent. First, in the case of programming, the risk would occur as the pay TV operator sought to secure rights for activities and events likely to be of real interest to pay TV subscribers. Given the likely character of pay TV — predominantly feature films and sports, as discussed in Section II — head-on competition with regular broadcasters for this programming would inevitably occur. And, ironically, the competition would increase or decrease roughly in proportion to the level of Canadian programming content made mandatory: the higher the Canadian content requirements, the greater the competition with "free" broadcasters.

Anti-siphoning regulations would unquestionably be necessary. In the U.S., current regulations restrict the availability of feature film and sports events to pay TV in the overall interests of protecting the right of free access by all viewers.* Notwithstanding the feasibility of anti-siphoning protections, there is reason for continued concern. Obviously not all programming eventualities can be foreseen — the advent and popularization in Canada of a new sport, such as soccer, is a case in point: would rights to telecast the game be available to pay TV or not?

Second, there is the risk of talent siphoning — that is, the prospect that a significant proportion of Canada's talented writers, actors and actresses, producers, musicians, designers, film people, and the like, could become preoccupied with pay TV activity, perhaps even on an "exclusive services" basis. Scarcity is at the heart of any creative problem — scarcities of concepts, ideas, people, and the resources and facilities needed to bring them to life. Perhaps nowhere is such scarcity more of a problem than here in Canada, doubly challenged as we are, on the one hand by the magnification of these scarcities that is worked by our geography and, on the other hand, by the competitive realities of our huge, richly endowed and accomplished American neighbour. So it is obvious that particular care is needed to discourage any developments which would work unreasonably to inhibit regular broadcasters in their efforts to produce and present to all Canadians the programming that is at the very heart of our mandate.

In all, the costs of introducing pay TV into Canada almost certainly would be high — making it unlikely that pay TV would contribute much to the achievement of the Broadcasting Act's objectives:

* FCC anti-siphoning regulations provide that movies may only be shown on pay TV up to three years from general release and again after ten years has elapsed. In the case of sports events, events now shown on regular television may not be shown on pay TV until five years has elapsed since the events were removed from regular television. This has the effect of protecting the regular broadcasters' rights to show major events such as World Series baseball and the like.

Some Major Objectives	Pay TV's Likely Impact	Contribution of Pay TV Channel
1. Developing varied and comprehensive programming	Negative	Movie and sports channel
2. Using predominantly Canadian creative resources	Negative	90% plus American
3. Providing programming with high standards	Modest	Very limited potential
4. Offering balanced opportunity for expression of differing views	Negative	Predominantly concerned with mass entertainment

What, on the other hand, about the potential benefits of pay TV?

The term "benefit", of course, holds different meaning for different people and different groups. Some have argued in the past and will argue again in the future that anything which increases the supply and choice of television programming is, in and of itself, desirable and beneficial. Others point out that this laissez-faire view of cultural development has greatly different effects in Canada than in almost any other country in the world. We are a small country, in population, living next door to a powerful giant. And well over two-thirds of our population speaks the same language as the giant. How different from the situation in Europe, Asia, or Africa! Diversity in choice, it has been said, can much more easily become domination in a situation such as Canada's: increasingly, it can become difficult to make one's own voice heard. In the end, there is no easy resolution to this multiplicity of choice argument, it's very much a matter of opinion. And, in Canada, certainly there are varying opinions.

As for the CBC, we believe that the primary benefit of pay TV would be the profits which could be made available to stimulate the production of good Canadian films and television programmes. And, we estimate that these profits could be substantial. If pay TV sales were to gross \$60 million, for example, the profit (after programming and distribution costs) would be in the \$12-20 million range — depending obviously on price and revenue-sharing assumptions.*

Certainly, pay profits of this order of magnitude would represent significant sums in relation to the funds now available for Canadian programme production. And additional resources, as we have frequently suggested, are critical to the development of the kind of domestic television programming capacity which would better enable us to provide Canadians with the kind of programming they will want and choose to watch.

Should pay TV be introduced into Canada, the pursuit of this primary benefit, profits for stimulating Canadian production, would therefore become of paramount importance. With that in mind we have turned our minds to the broad question of how this benefit of pay TV might be maximized.

* A \$60 million gross would result from, for example, an \$8 per month service charge and a 25 per cent subscription rate among the 2.4 million English cable homes in the major centres which might be expected to have pay TV available after, say, five years. Appendix III shows greater detail.

IV - ASSESSING THE POTENTIAL FOR

MAXIMIZING PAY TV BENEFITS

In this section, we digress from the critical question as to whether pay TV should be introduced into Canada at all, and turn instead to the question of how its benefits might best be maximized were it to be introduced.

The Minister of Communications has proposed three objectives for pay TV:

1. "To provide a broad range of programming that does not duplicate what is now offered by broadcasters, and does not siphon programs from the broadcasting system."
2. "To ensure high-quality programming that people will watch."
3. "To ensure that programs are produced for international sale."

These are useful, if demanding objectives, and we shall consider further in this section how they might be achieved. However, we do assume throughout that the underlying and predominant goal of Canadian television — of whatever kind — should be to produce more Canadian programmes which more Canadians will want to watch.

We have argued that the major public benefit of any pay TV service in Canada should be the provision of profits which could be directed to the production of Canadian films and television programmes. In assessing the potential for maximizing this benefit, we have identified four related questions — how much might the profits of pay TV be? Where should these profits be directed? How should profits be shared? On what should they be spent? We have reached four major conclusions:

1. Pay TV profits could be substantial, assuming economic decisions are made with a view to maximizing the recovery for investment in Canadian programme production — and subject to certain anti-siphoning restrictions;

2. Pay profits should be channelled to the feature film production industry and to Canadian broadcasters, with the bulk of the profits going to broadcasters as part of the viewing of Canadian programmes by all Canadians;
3. Pay profits should be shared among Canadian broadcasters on the basis of their successful development of Canadian programming content;
4. Broadcasters should concentrate their share of Pay profits on developing Canadian programming.

Each of these conclusions is expanded on in the balance of this section.

1. Pay TV profits could be substantial, assuming revenue sharing decisions are made with a view to maximizing the recovery for investment in Canadian programme production — and subject to certain anti-siphoning restrictions. If pay TV were to proceed in Canada, its fundamental orientation should be to maximize profits recovered for purposes of strengthening Canadian programme production. We readily perceive the paradox in this proposition: pay TV profits should be maximized in order to enable Canadian television to compete with the U.S. programmes which pay TV itself introduces! But the paradox must be addressed if the consequences of pay TV — in particular the financial consequences — are fully to be explored. So we have considered here the overall pay TV economics; potential methods of profit recovery; and the constraints on profits which would be imposed by the necessary siphoning regulations.

(a) Overall pay TV economics: The matter of pay TV economics — potential revenues and related costs — continues to be something for wide speculation. On the revenue side, there is much uncertainty about pricing. Evidence, particularly from the U.S., suggests that a variety of pricing arrangements are possible, and that customer acceptance depends on a range of factors including prior cable development, attractiveness of the programming, affluence of the neighbourhood, and so on. There is some evidence that household expenditures on pay TV are approximately the same whether the operation is per-channel or per-programme. This fact, when combined with the other attractions of the per-channel approach, has prompted the most successful U.S. entrepreneurs to choose this approach to start with. Whatever the case, pricing considerations are very complex, and clearly would warrant the closest scrutiny if the overall economic objective — maximizing profit recovery — were to be realized (Appendix II outlines some basic policy considerations for the pricing issue).

We have analyzed the economic prospects, beginning with a look at the U.S. industry. Currently in the U.S. the typical pay TV subscription price is about \$8 per month. And the typical gross revenue breakdown is as follows:

Typical Gross Revenue Breakdown in U.S.*

<u>Element of Pay System</u>	<u>\$</u>	<u>%</u>
Distributor — cable company	3.52	44
Network operator	.88	11
Program producer	3.60	45
	8.00	100

But in Canada, the economics of pay TV might differ substantially — assuming cable distribution of the service. Cable penetration, for example, is already 45 per cent of Canadian households, as opposed to 18 per cent in the U.S. And although high initial capital outlays were required by cable companies to get established, the pay-back economics of cable have been very favourable in Canada. Industry operating margins are greater than 50 per cent, readily covering asset depreciation plus interest. As well, high debt/equity ratios lead to significant returns on equity (more detail in Appendix I). Generally speaking, the Canadian cable industry is a mature one in most, if not all, parts of the country.

The basis for identifying and accounting for true pay TV costs must be approached carefully. Most important, the costs associated with providing the basic cable service to households should not be confused with the incremental costs of a pay TV service. For example, while multiple channel system upgrading is still necessary for some systems, it should and can be financed by cable licencees from their revenues for basic service, exclusive of pay TV. Pay television, therefore, is certainly not required to make the cable industry profitable or to renew its basic asset base.

More specifically, our rough analysis of the incremental costs likely to be incurred by a cable company embarking upon pay TV appear to be in the neighbourhood of \$2.27/subscriber/month (Appendix III). And, allowing for a reasonable profit return on incremental investment of, say, \$0.65/subscriber/month, the share to the distributor or cable company would be \$2.92/month or 36.5 of gross revenues, given an \$8 selling price. This would leave 28.5 per cent of gross revenues for the Canadian programme production industry, considerably above the suggested 15 per cent level. At a selling price of \$10/subscriber/month, the Canadian proportion would, of course, be even greater.

* — Source: Paul Kagan & Associates, New York — based on pay-per-channel service.

(b) Methods of profit recovery: Should the pay TV agency be publicly-owned, all profits would, of course, be recovered for investment in Canadian programme production: this would be the agency's very mandate. In the event the pay TV agency were to be privately operated, a different approach to profit recovery would be required. As to the proportion of profits to be recovered, there are two basic approaches — recovery of a percentage of (1) gross revenues, before accounting for related costs and expenses or (2) net profits, after such an accounting. We would favour the first — recovery of a percentage of gross revenues — assuming the proportion would be regularly reviewed in light of actual economic performance. The CRTC too and, in turn, others have suggested that a percentage of gross revenues from pay TV be invested in Canadian programme production. This appears to be the most straightforward manner by which to generate funds — although deciding on the exact percentage would certainly be a contentious process. And the gross revenue approach would seem to have at least one drawback — it might not lead to appropriate profit recovery as prices moved higher. The other alternative would be the recovery of a percentage of profits, but this could well encourage the development of high overhead or indirect cost and accounting practices to shield "real" profits. Both approaches have been tried in the United Kingdom, with mixed results (as is made clear in the recent submission by the Independent Broadcasting Authority (IBA) to the Annan Committee).

(c) Needed siphoning constraints: Finally, it should be emphasized again that the pursuit of profits by any pay TV enterprise would have to be constrained by anti-siphoning provisions. This is widely agreed upon. In Section III — discussed in some detail the siphoning risks posed by pay TV, making it clear that our opposition to pay TV siphoning is not based on a simple instinct to preserve the CBC as an institution. Rather, it is based on the principle that Canadians are entitled to wide and free access to Canadian television programming and talent. Pay TV, by definition, serves those who are geographically and financially advantaged while broadcasters serve virtually all Canadians. It is from this perspective that we argue that anti-siphoning measures are needed to prevent a deterioration in television programming brought about by shift of highly popular programmes from "free" to pay TV. For unconstrained, pay TV would naturally and inevitably pursue the very popular and entertaining programmes which are so important to regular broadcasters' financial viability and, more specifically, to paying for Canadian content which generally fails to recover its costs in commercial revenues, including, of course, the more discriminating programming offered by broadcasters.

An example may serve to illustrate the kind of problem we foresee. Suppose an eight-game Canada-Soviet hockey series were to be arranged and pay TV sought the television rights in competition with regular broadcasters. Now, assume 625,000 pay subscribers (25 per cent penetration of an estimated 2.4 million cable householders) are willing to pay \$4/game for such an event. Assuming \$2 could be bid on programming rights and still break even, the pay TV network could afford to pay \$10 million for the series, considerably above the amount an off-air broadcaster could afford in a breakeven situation. If, as a result, pay TV won the rights, most Canadians would not be able to see the series.

2. Pay profits should be channelled to the feature film industry and to Canadian broadcasting, with the bulk of the profits going to broadcasters as part of the strategy to increase the viewing of Canadian programmes by all Canadians. As we have said, pay TV, should it be introduced into Canada, would be likely to generate substantial profits. These profits could be retained for the benefit of the operator or, alternatively, be directed to stimulate Canadian programme production. We have argued for the latter, and believe that the lion's share of the sum allocated for this purpose — say 75 per cent — should be directed to Canadian broadcasters. We base our argument on three essential propositions.

First, there can be no doubt that more money is required to strengthen Canadian television programming. This is a theme which has been widely and increasingly emphasized over recent years. The Commission well appreciates the economics of broadcasting in Canada. But some examples might serve to emphasize the odds which Canadian broadcasters face in trying to compete with the popular American shows which are so widely and freely available in Canada. U.S. dramas and variety shows, "Kojak" and "The Carol Burnett Show", for example, cost between \$200,000 and \$250,000 an hour to produce, and are paid for by advertising revenues generated by a domestic population base of more than 200 million people. In Canada, on the other hand, with the profits made from American programming, and, in CBC's case, public funding as well, we can usually afford drama and variety production costs of only some \$50,000 to \$75,000 per hour. The difference in budget levels is often reflected on the screen.

More than this, money for the development of programming ideas, concepts, and pilots is almost non-existent in Canada: there is virtually no risk capital available for programmes here. In the U.S. by way of contrast, a situation comedy would be developed from forty to fifty ideas. Ten or twelve of these would be developed and the concept tested. With the results, two or three pilots would be produced and, if successful, the series would go on-air. And always with a good chance of not being renewed a year later! Canadian networks and producers simply do not have the "luxury" of this developmental process — the results are not, therefore, too surprising.

Not surprisingly, either, American television networks are able to spend large sums on the more popular forms of programming. The U.S. emphasis on high budget comedies, light dramas, and variety — with very little invested, relative to, say, the CBC, in serious and experimental drama, documentaries, the arts, and so on — inevitably draws Canadians from the low budget Canadian shows of popular format.

Second, the direction of pay profits to regular broadcasters would increase the chances of achieving the fundamental objective of the Canadian broadcasting system — increasing the viewing of Canadian programmes by Canadians. The achievements against this objective are not too encouraging today. As we have said, English-speaking Canadians typically spend two-thirds of their television viewing time watching foreign (mainly U.S.) programming, and French Canadians something less than half their time. And the proportion of American viewing is higher in many larger urban areas, markets which would first be entered by pay TV. Other things being equal, pay TV would almost certainly bring about a decrease in the time spent viewing Canadian programmes — particularly if pay-per-channel television were introduced (Appendix IV). It therefore follows logically, it seems to us, that to counteract this further fragmentation of audiences the bulk of pay TV profits should be spent in such a way as to sustain the viewing of Canadian programmes.

This argument is buttressed by the fact that pay TV at maturity might well be subscribed to by no more than 20 per cent of Canadian households. Regular broadcast television, on the other hand, is available on a nearly universal basis. It manifestly would be unsound strategy to transfer all the profits from pay TV into productions that are not available to all Canadians: clearly this would not serve to achieve the goal of maximizing the viewing by Canadians of Canadian programming.

Third, regular broadcast television programming has more impact on Canadians than any other medium, including film. Television is the single most pervasive and influential medium in Canada today. As the Commission is well aware, television reaches into the homes of virtually all Canadians, often on more than one receiving set. And Canadians spend a very considerable amount of their leisure time viewing television — current estimates run at well over three hours per day per person. So far as the impact of television is concerned, academic studies and circumstantial evidence alike indicate that television is enormously influential in shaping the values, attitudes, and perspectives of viewers. No other medium has the same degree of universality and impact.

There are some, of course, who would argue that the whole of pay TV profits should be invested in the production of Canadian feature films, this in order to fill as much of the pay TV schedule as possible with Canadian content. We have already said why this proposition seems to us questionable: if the objective of the Broadcasting Act is to make Canadian programmes available to as many people as possible, why then should all of the pay TV profits be directed toward programming which only those who can afford pay TV will seek — at least for a number of years?

There is also the question of audience impact. The fact is that most Canadians do not go to feature films: only one person in three goes to see films, averaging about four attendances yearly. The average Canadian watches that much television in merely two days! It is reasonable to speculate that with films available in the home, the viewing of film would increase, even on a pay-per-programme basis. But it would remain that the viewing of films would in no way come to approximate that of television programmes generally.

There is, too, the question as to how many marketable films the Canadian feature film industry can produce in a year. Estimates vary widely, but even the most optimistic suggest that the total amount of Canadian films available to television will never compare with total Canadian television programming presented, nor with the number of U.S. and other foreign films available.

These, then, are the reasons for suggesting that the main share of the profits from pay TV should be allocated to Canadian television programming generally as opposed to Canadian feature films. However, this is not to argue blindly that the whole of the profits from pay TV should be allocated to the development and production of Canadian television programmes. We believe that if pay TV were to be introduced across Canada, as many Canadian feature films as possible should be shown on it. And this would require not only the investment of additional funds in the feature film industry, but also their employment in such a way as to produce as many good and marketable films as this country is capable of producing.

It is for this reason that we would propose that a reasonable proportion of pay TV profits — say 25 per cent — should be channelled to the feature film industry through the Canadian Film Development Corporation (CFDC). The CFDC budget now is approximately \$3.5 million, and every CFDC dollar invested attracts an additional \$1-2 other capital. Twenty five per cent of the \$12-20 million that pay TV might generate in profits would amount to between \$3-5 million — and could virtually double the current CFDC budget.

3. Pay profits should be shared among Canadian broadcasters on the basis of their successful development of Canadian programming content. We believe that all broadcasters, public and private, should share in pay TV profits for the development of their Canadian programming. Our reason?

All broadcasters would likely suffer from the audience fragmentation that would result from the introduction of pay TV. And no broadcaster, public or private, has enough funds to spend on the development phase for Canadian programming.

Some may argue, of course, that CBC does not need extra money because it is, in the main, publicly funded -- and at a substantial level. But the case for this argument is not as well-founded as might appear superficially. In fact, the CBC is not "over-funded" relative to other broadcasters; indeed, we have for sometime been insisting that the Corporation is seriously underfinanced in face of the range and diversity of services expected of us and the strength of the competition we face. An example will help clarify the issue.

The CBC operated its English-language television service on a budget of about \$125 million in 1975-76. This, we estimate compares to CTV's total advertising revenues of approximately \$110 million for that period. Not really too great an overall difference in total between the two operations. However, there are differences -- important ones -- between the two in terms of how these overall monies were actually spent. A detailed comparison of actual expenditures is not possible since CTV's accounts are not publically available. But it can be pointed out that CBC's programming obligations and commitments are considerably greater than CTV's in the area of Canadian content. To begin with, the CBC's mandatory Canadian content is 60 per cent, 10 percentage points greater than private broadcasters'. Beyond this, CBC has in recent years consistently achieved Canadian content levels 5-10 percentage points in excess of this 60 per cent mandatory requirement. In more tangible terms, this means that the CBC provides Canadians with a great deal more Canadian content than does CTV, and this is especially so in prime time. For example, in a typical week during Fall 1976, during prime time (taken here as 7:00-11:00 p.m.) CBC provides fully 16 hours of Canadian network programming (65 per cent of total network programming) compared to CTV's 5½ hours (23 per cent). This kind of Canadian programming achievement stretches our resources to the limit; there is a real need for development funds.

We recommend then, that the funds set aside for Canadian television programme production be divided on the basis of the respective success of Canadian broadcasters in developing Canadian programming content. The exact means of allocating profits would deserve careful consideration, to ensure a basis which would provide broadcasters with a clear incentive to improve their Canadian programming, and would provide a reward for successful programmes of whatever type. Whatever approach is chosen it would have, in short, to provide an objective and appropriately balanced incentive to encourage development of both popular programming formats (e.g., situation comedy, variety) and the more discriminating as well (public affairs, serious drama, the arts).

4. Broadcasters should concentrate their share of Pay profits on developing Canadian programming. We have already argued that the shortage of programming money and particularly programming development money, is the primary obstacle standing in the way of Canadian broadcasters in their efforts to attract more Canadians to Canadian television programming. Because Canadian broadcasters have negligible funds for programming development purposes, we believe any pay TV profits channelled to broadcasters should be earmarked for developmental purposes -- and not be absorbed into general programming funds. The pay-off from this strategy could, in our view, be high.

The American approach to television programme development provides an indication as to why. Their system provides for the spending of a substantial amount ("risk capital") on the search for programme ideas and concepts. Then a highly selective process is used to identify programmes that will be watched. For example, up to 40-50 concepts are developed, and 10-15 pilots prepared for each series that actually goes on air. This is their model for an intensive and successful development process. No such process, of course, is now possible in Canada. Funds for Canadian programming are so scarce, that virtually everything must be spent on productions which will be shown. There is evidence that a properly funded programme development process would pay off in Canada, as it has in the U.S. Both CBC and CTV have had some success in their developmental efforts, however limited those efforts had to be for want of adequate funding ("Ninety Minutes Live" is a recent example of a special and, we believe, successful CBC development effort).

The CBC shares the belief that a strong independent programme production sector would be a real benefit to the overall Canadian broadcasting system and film sector. Certainly, we expect that a number of submissions will be made to the Commission, in respect of this pay TV issue, which will argue vigorously that pay TV could be organized and managed so as to have a major impact on the independent programme production sector. We would agree with such a proposition, even while disagreeing that pay TV, if proceeded with in Canada, should not build up its own programme production capacity.

In support of our belief that a stronger independent programme production sector is a desirable goal, the CBC would be prepared to ensure that its share of Pay profits were largely spent in the independent sector. And we believe other broadcasters might properly be asked to give a similar undertaking.

V - STRUCTURING PAY TV TO PURSUE

MAXIMUM BENEFITS

In previous sections, we have described the likely character of a pay TV service in Canada, identified a series of substantial risks that would be associated with establishing pay TV, and argued that the primary benefit of any Pay service would be its profits. Also, we have put the case for the direction of these Pay profits into the stimulation of Canadian television programme and film production, with the bulk of the funds being directed to Canadian broadcasters for programming development purposes. Turning to the question of how a pay TV agency would be organized, should one be established in Canada, we believe it follows that any pay TV agency should be structured so as to return optimum profits to Canadian programme production. After considering a range of organizational options there would seem to us to be three basic ways of organizing pay TV in Canada:*

1. Private company . . . regulated as to the profits which flow to Canadian programme development but with an incentive to optimize profits;
2. Statutory ("mixed") corporation . . . combining private and public ownership and directing all profits into Canadian programme development, with the incentive to optimize profits coming from the very mandate of the corporation;
3. Public (Crown) corporation . . . owned publicly, and directing all profits into Canadian programme production development, with the incentive again built into the very mandate.

* In this section, we are concerned primarily with the structure of the pay TV network; that is, the organization which would be responsible for acquiring, packaging and scheduling the pay TV programme service, and ensuring its distribution, either via cable systems or off-air Pay transmitters. We tend to agree with the predominant view that cable delivery of a Pay service appears preferable to off-air delivery, mainly in view of the high penetration of basic cable service and its multi-channel capacity, and the limited availability of suitable off-air frequencies in some major cities. Nonetheless, both modes would clearly be feasible and might well be utilized in the longer term. In either case, if pay TV were to go ahead, we believe the pay TV network organization should be separate and distinct from programme suppliers and the delivery system.

It will be evident that there is a great deal of similarity between a public corporation and a statutory ("mixed") corporation. Both would be established by a statute of the Parliament of Canada, and both would operate under a mandate laid down by Parliament. The principal difference between the two, on the face of it at least, would be that a statutory corporation would provide for the participation on the Board of directors of representatives of the broadcasting industry, both public and private, representation from or on behalf of the film makers, and perhaps of the cable companies. Since the CBC would regard such representation as being desirable, we have in our brief concentrated our attention on the two alternatives: a statutory corporation and a private company.

Accordingly, we confine our discussion of pay TV organizations to two options, (1) the private company, and (2) the statutory ("mixed") company:

1. Private company - A private pay TV company, necessarily a separate entity owned independently of existing elements of the broadcasting system could be licenced by the CRTC to operate pay TV nationally, in the same basic way as broadcasters and cable companies are licenced today. Some of the conditions of its licence might be as follows (the list is meant to be indicative only, not exhaustive):

- A "levy" or fixed percentage of pay TV subscriber gross revenues (perhaps 25 per cent) would be channelled to film-makers and broadcasters (via a formula) for spending on Canadian programming development. This would help ensure that this major programme objective of Canadian pay TV would be "institutionalized" in the licensee's operations.
- Siphoning regulations, to be promulgated by the CRTC would have to be complied with.
- Private broadcasters would be specifically excluded from ownership of a private corporation, and from positions of the Board, to avoid conflict-of-interest problems in pay TV's operating philosophy and practices — this would be critical to ensure a reasonably competitive balance among Canadian broadcasters, and to prevent anyone from achieving a predominant economic position.

- Delivery pricing arrangements between the pay TV operator and the cable operators (or STV broadcasters) would be negotiated to provide fair but not excessive returns to cable operators (or over-the-air Pay distributors) — and submitted to the CRTC for approval.
- The Board of Directors, like any private corporation, would represent shareholders' interests and, within guidelines such as those discussed above, would be expected to maximize profits.

The advantages of a private corporation are obvious. Its orientation would be toward developing a programme package that consumers would buy in order to maximize their profits. Their shareholders would insist on an efficient operation. And, the levy on gross revenues would ensure that the Canadian programme production fund swelled as the Pay operation prospered. Funds would be made available for investment in Canadian programme development (in the manner discussed in Section IV).

But there would be some risks as well. The greatest risk, in our view, is that a private company would seem more likely to present Canadian programming and talent siphoning risks, since its ownership by definition would exclude broadcasters — we discussed these siphoning risks at some length in Section III. Notwithstanding the feasibility of promulgating anti-siphoning constraints, we do feel that the privately owned independent pay TV agency would inevitably pose a siphoning threat to Canadian broadcasters.

Moreover, such a private company would be given a monopoly. Arguably, it would not, therefore, be driven by the same spirit of competition that exists under competitive conditions in the private sector — as a result, and in part because of the levy, the incentive to provide good service, and a quality product could well diminish to the point where the case for a private company would be significantly weakened. Moreover, without proper regulations and quite full disclosure of financial results of a private enterprise, both the network and the cable company delivery system could achieve inordinate profits, while returning far too little to the Canadian programme production industry. Thus, the very purpose of establishing the pay TV operator could be frustrated.

If this private alternative, in the end, were to be chosen, we would recommend that, on the basis of its monopoly position in the marketplace, the pay TV network and cable companies should make their full and detailed financial statements public. In this way, if returns were to become excessive, consumers could argue for lower prices, broadcasters could argue for a greater percentage of gross revenues to go to the Canadian programme production fund, and the CRTC presumably could ensure appropriate regulations and directions were undertaken.

2. Statutory corporation - A statutory corporation (or a mixed corporation) involving both private and public participants on a Board of directors would, by definition, be oriented and managed to direct all of its profits into the Canadian programme development fund: this would be its very mandate. It would require a small, highly entrepreneurial group to procure, package and schedule the programming, and arrange programme distribution through cable companies (or off-air operators).

In concept, a statutory pay TV company would be somewhat similar to the Olympic Lottery organization that designed and advertised the Olympic Lottery, and then worked through private distributors and retailers to sell the tickets. The profits of the company in each case are held for specific purposes. In the case of the pay TV agency, all the profits would be put directly into a Canadian programme production fund and distributed according to the sort of formula discussed in Section III.

The Board of directors of the statutory pay TV corporation could be made up of the various vested interest groups in pay television:

- Public sector representation on the Board could form a majority as a practical means of encouraging the desired overall orientation -- optimization of profits for investment in Canadian television programme development. Ex officio representation could include the CBC, other related agencies, and, if desired, other persons from public or private life.
- Broadcasters, both private and public, should also predominate on the Board to ensure that Pay programming activities do not compete and conflict with broadcasters in the exercise of their responsibilities under the Broadcasting Act, and to make available programming advice.
- Film-makers would be represented, perhaps ex officio by the CFDC, to ensure representation of their interests (particularly in view of the suggestion that 25 per cent profits be allocated to film via the CFDC).
- Cable companies could also be represented on the Board, in recognition of their substantial capital commitments to a Pay delivery system, and to provide them with an opportunity to make representations regarding programming.

By way of illustration, the Board of a statutory pay TV corporation could be made up as follows:

Board of Trustees (Seats)	
Public	Private
Broadcasters	CBC (3)
	CTV (2)
	CAB (1)
Other	Order-in-Council (2)
	CFDC (1)
	CCTA (1)

* * *

Having considered these two alternative pay TV organizations we have concluded that on balance the statutory corporation would be the best choice. It would in our view, seem most likely to return optimum profits for investment in Canadian television programme development by broadcasters and for film producers via the CFDC. Optimizing profits, we have suggested, involves the pursuit of Pay profits while keeping a careful eye on the overall impact of pay TV activities on the Canadian broadcasting system. This, we have contended, would require careful judicious attention by a pay TV board to ensure the rationalization of the pay TV enterprise in the best interests of all Canadians. A statutory corporation would seem to us to have the best chance of success.

VI - OVERALL CONCLUSION

We have sought in the five sections of this brief to examine in some detail the prospective consequences of a pay television service in Canada. In Section I we set the context within which the pay TV question must be examined: the objectives of the Broadcasting Act, and the ability of the Canadian broadcasting system to achieve them. In Section II we developed a definition of pay TV's likely character, should it be introduced into Canada. And we concluded that it was virtually certain that a pay TV service, if it were to be successful in Canada, would inevitably be dominated by American feature films and sports. We judge that other directions in Pay programming would be unlikely, and argue that we should not be misled by the expression of hope that pay TV might take another more altruistic form. Certainly, it is clear that Canadian content on pay TV would have to be very limited, both because of number of films that can realistically be expected from the Canadian film industry each year, and because of the need for anti-siphoning restrictions to ensure that Canadians are not denied access to major Canadian programmes and talent by reason of their inability — financial or geographic — to subscribe to pay TV.

In the third section, we concluded that the costs of introducing pay TV into Canada would high — measuring these costs in terms of the likely impact of pay TV on the ability of Canada's broadcasting system to achieve the objectives of the Broadcasting Act, and in particular on the ability of Canadian broadcasters to attract Canadian audiences to Canadian programmes. Overall, pay TV would seem certain to have a negative impact on Canada's broadcasting system and the objectives it is supposed to achieve: it would fragment audiences, reduce the viewing of Canadian programming, and pose serious siphoning risks. And we concluded that this negative impact would be greater if pay TV were to be established on a pay-per-channel basis than were it on a pay-per-programme basis.

In the past, most analyses of pay TV — including the CBC's formal submissions -- have stopped the analysis at this point, concluding — and not incorrectly, we believe — that the introduction of pay TV into Canada would simply not be in the best interests of the Canadian broadcasting system as a whole. The evidence and judgement of the past have pretty clearly supported the view that a Canadian pay service would not make a positive contribution to the achievement of the broadcasting system's aims and objectives: indeed, that pay TV would likely pose a real and substantial threat.

In this brief, however, we have taken several extra steps in our analysis, in order to satisfy ourselves that the adverse consequences of pay TV could not in some measure be offset by maximizing the potential financial benefits. This called for a fresh and objective examination of how pay TV might operate. As well, the language of the Commission's recent public notice on pay TV makes it evident that opinion is being sought not so much on the basic question as to whether there should be pay TV in Canada, but rather on how pay TV might be organized and operated in Canada. In this light, we suspended our negative conclusion and extended our analysis, first, to an assessment of the potential for maximizing pay TV benefits and, second, to an evaluation of alternative pay TV organizational structures.

So in Section IV we looked at the question of Pay profits — how much would there be? Where should they be directed? How should profits be shared among qualified recipients? And, what should they be spent on? Essentially, we concluded that Pay profits could be substantial if pricing and revenue-sharing decisions were carefully thought of with an eye to optimizing the profits available for investment in Canadian programme production. Further, we felt it important not to invest these profits in programme production for pay TV; rather, we advocated that the bulk of the profits (some 75 per cent) should go to broadcasters, for the development of Canadian programmes on "free" television. The allocation of these profits among broadcasters should, we suggested, be by a formula which would recognize excellence in developing Canadian content. The balance — 25 per cent — would be channelled through the CFDC to stimulate Canadian feature film production. And, finally, we suggested that the broadcasters' Pay profits should be concentrated on development activities, not simply absorbed into general programming funds.

Finally, in Section V, we examined various organization alternatives for pay TV, should it be introduced in Canada, concluding that a statutory corporation, combining public and private interests, would represent the best solution, given the fundamental objective — the direction of pay TV profits into the development of Canadian television programmes, and the production of Canadian feature films.

* * *

With all of this analysis behind us, we must return to the fundamental question which we raised in Section I: the relationship of pay TV to the aims and objectives of the 1968 Broadcasting Act. That Act establishes a number of related objectives for the Canadian broadcasting system and the national broadcasting service (the CBC). Taken as a whole, these objectives provide not only a framework for the public and private elements of the broadcasting system, but also the orientation, the direction they are expected to follow. It follows that the performance of the Canadian broadcasting system must be judged in terms of its accomplishment of the objectives of the Broadcasting Act.

It follows too, when changes are proposed in the broadcasting system, that every change proposed must be evaluated in terms of its likely contribution to the Canadian broadcasting system, and its ability to achieve the objectives of the Act. This is utterly fundamental; at least, so it seems to us. Accordingly, we have attempted to assess pay TV in this perspective. In the end, we are clear in our overall conclusion — we judge it highly unlikely that pay TV would contribute positively to achievement of the Broadcasting Act's objectives. Indeed, we believe pay TV, were it to be introduced into Canada, would be a net negative force.

It remains that pay TV has been termed "inevitable" in Canada. And perhaps this will turn out to be so. But it must be remembered that Canada was built out of facing, time and time again, "the inevitable". And what has seemed inevitable has so often been resisted or shaped or fashioned, that Canada and its social, cultural, economic and political life today are vastly different than they would otherwise have been. Canadians, as a result, have a well-developed facility for the deliberate and systematic resistance to an array of imperatives and forces which, if left unopposed, would have worked inevitably to shape the nation's destiny in ways not necessarily in harmony with the Canadian public interest and national goals.

Pay TV, as we see it, poses yet another challenge to the troubled Canadian broadcasting system. And, in view of the importance of the pay TV question and all the problems it would seem to pose, we would suggest that the Commission convene a public hearing for the purpose of exploring more fully these issues and problems. The full and public discussion of Canadian broadcasting issues has been a characteristic of policy development process in the past. A public pay TV hearing would provide a forum for the presentation and discussion of the full range of views on pay TV and permit the fullest possible consideration of the desirability and inevitability of pay TV. We believe this is as it should be.

CABLE ECONOMICS

High operating margins readily
cover depreciation and interest...

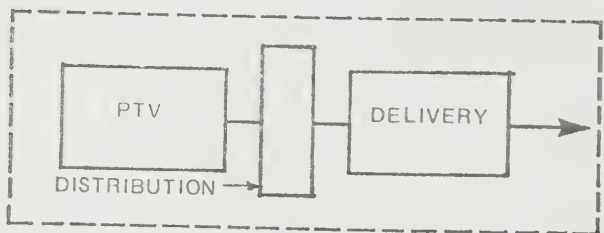
And high debt/equity ratios lead to
a significant return on equity...

Cable Industry Operating Statistics — 1974			Return on Capital Before Interest Tax*	Return on Equity Before Tax*	
	%	%	%	%	
Revenues		100.0	Cable Industry	18.9	31.1
Expenses			All Industry	16.9	20.7
- Program	3.5		Communications	12.4	17.8
- Technical	20.0		Chemical	20.3	23.9
- Sales	5.1		Primary Metal	14.6	17.0
- Administration	<u>20.6</u>	<u>49.2</u>	Mining	16.1	20.4
		50.8			
Operating Margins					
- Depreciation	20.3				
- Interest	8.3				
- Other	<u>.3</u>	<u>28.8</u>			
Profit before tax		22.0			

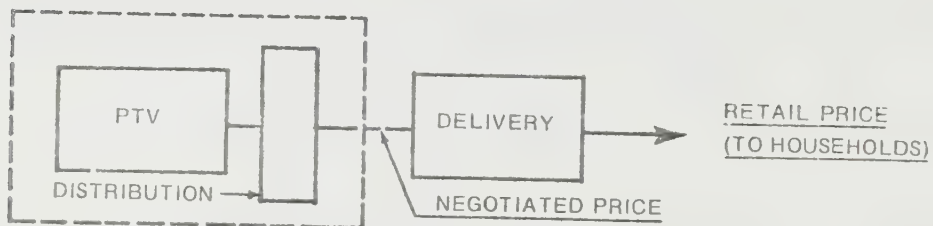
* Source: 1973 Statistics Canada Cat. No. 61-003

THERE ARE A NUMBER OF POSSIBLE PRICING AND REVENUE SHARING APPROACHES *

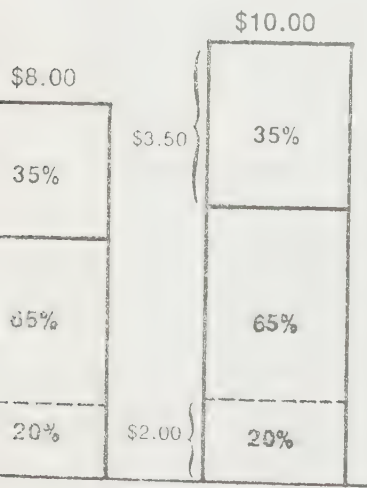
1. INTEGRATED - ONE PRICE



2. STAGED - SEVERAL PRICES

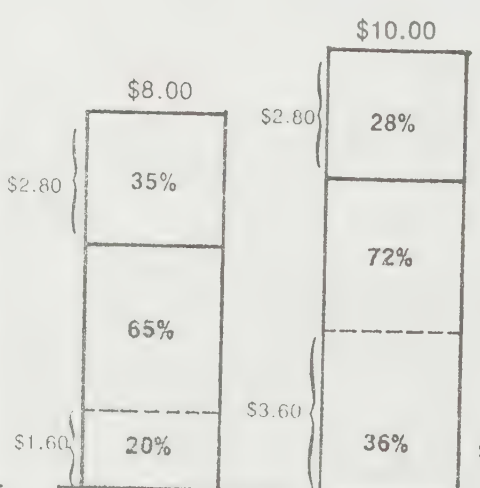


FIXED PERCENTAGES



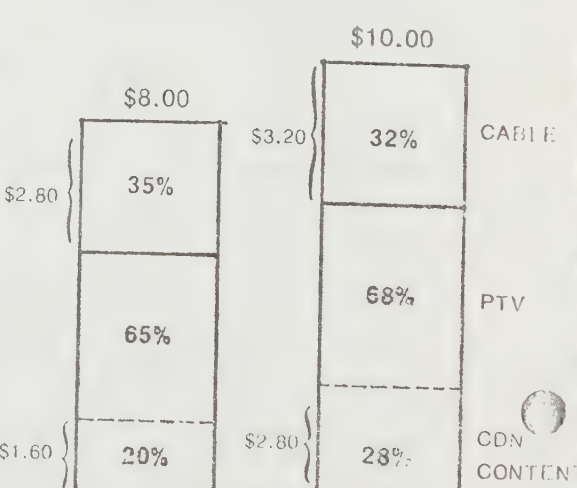
EXAMPLE, ACROSS-THE-BOARD EQUITY

2. MAXIMUM INVESTMENT IN CANADIAN PROGRAMMING



• SPEAKS TO PRIMARY OBJECTIVE

3. SLIDING SCALE



• PRESERVES REASONABLE INCENTIVES

*E: Examples only ; Actual revenue sharing proportions would be different (see appendix III)

CABLE DISTRIBUTOR
FINANCIAL ANALYSIS

ASSUMPTIONS . . . PAY-PER-CHANNEL BASICS*

A. Subscriber Revenue

(I) Potential pay TV subscribers:

- At the outset, cable TV subscribers in major centres only
- Two million cable households (English only) in these centres, growing at 5% per year.

(II) Penetration:

- 15% prior to start-up, i.e., Year 1 average
- 5% each year thereafter, to a maximum of 30% in 4 years.

(III) Monthly rate — \$8 per subscriber.

B. Capital Costs

(I) Scramblers:

- Descramblers to be installed as they are cheaper than traps and have flexibility for multi-channel capacity
- Descramblers to be depreciated on a straight-line basis over five years
- Cost of scramblers is \$4,500 x 34 systems** = \$153,000
- Cost of descramblers is \$60 installed.

* Note: This appendix is developed for a pay-per-channel approach since this has been until this point the most widely discussed and analyzed method. However, a pay-per-programme approach might well be chosen, particularly since it would be less damaging to broadcasters' interests. In any event, the basic analytical approach to either method would be similar.

** Major centres only.

(II) Selling costs:

- Selling costs of \$12 per subscriber offset by \$12 installation fee charge.

(III) Program origination equipment:

- 34 systems x \$30,000 = \$1,020,000*

Each cable operator must acquire twin SONY 2850 tape machines plus a time base corrector. The total cost of the three units is approximately \$30,000. At the outset bicycling tapes to cable headends makes sense as at current satellite pricing levels, the cost/subscriber in the early years are too high (See Table 2 attached). Moreover, in 1978 Anik 4 with 12 Gigahertz capacity will permit satellite transmission directly to a cable company headend, thereby eliminating the need for expensive earth stations.

C. Operating Costs.

(I) Administration:

	<u>Cost/Subscriber/Year**</u>
- Billing and collection	\$1.00
Bad debt	\$1.00
Complaints, telephone	\$1.00
General accounts, legal, overheads	\$1.00
Terminal service	<u>\$2.00</u>
	\$6.00

(II) Disconnects:

- Disconnects $1\frac{1}{2}\%$ per month, or 18% per annum
- Service cost \$15
- Cost/subscriber/annum — $.18 \times \$15 = \2.70
- Cost/subscriber/month — $\frac{2.70}{12} = \$0.23$

* Major centres only

** Pay Television — Opportunities, Challenges and Approach, Canadian Cablesystems Ltd., Premier Cablevision Ltd., Rogers Cable TV Ltd., May 16, 1975

(III) Program schedules:

- \$0.25/subscriber/month, or \$3/subscriber/annum.

(IV) Advertising:

- Introductory year \$700,000 nationally
- Each successive year \$600,000 nationally
- Going year \$0.08/subscriber/month.

(V) Losses:

- Descramblers cost on moves etc. 5% per annum
- Assume $\frac{1}{2}$ depreciated or \$30.

(VI) Interest charges:

- Capital raised 50% debt; 50% equity
- 12% per annum interest charge.

Capital Required by Year (\$000s)

	I	II	III	IV	V
Scramblers	153				
Descramblers	18,000	7,200	7,860	8,640	2,040
Program origination	1,000				
TOTAL	19,153	7,200	7,860	8,640	2,040
CUMULATIVE	19,153	26,353	34,213	42,853	44,893

D. Profits

- 25% return on capital before interest and taxes in "going year"* considered reasonable considering the risk involved to distributor
- Debt/equity ratio of 50%
- Maximum capital employed is \$44,893,000
- Net assets or capital employed in business in "going year" assumed to be 50% depreciated, or \$22,447,000
- 25% rate of return on capital before interest and taxes in "going year": $.25 \times \$22,477,000 = \$5,619,250$

E. Per Cent of Gross Required in "Going Year"

Cable subscribers	2,431,000
% Penetration	30%
Pay subscribers	729,000
Gross revenue at \$8	\$69,984,000
Operating costs** less interest but before depreciation	\$19,301,000
Return on capital before interest and taxes	\$ 5,619,250
Cost and profit	\$24,920,250
 <u>Cost and profit</u> Gross revenue	 $= \frac{24,920,250}{69,984,000} = 35\%$

Thus, a distributor requires 36.0% of gross revenues (at \$8/month price) to generate 25% return on capital before tax in "going year".

* "Going year" is defined for purposed of this analysis as Year 5 — five years after initiation of the service, a point at which the "industry" would have taken on some maturity of size and scope.

** Detail in table following

F. Sensitivity Analysis

Depreciation or scrambling equipment is the largest operating cost and the most sensitive variable in terms of potential for being different from original estimates. For example, if de-scramblers in homes lasted an average of seven years rather than five years as originally estimated, returns to the cable distributor would increase substantially (profit before tax in going year would increase from \$3.2 to 5.7 million — a 78% decrease).

Similarly, if CRTC allowed the cable operators to depreciate scrambling equipment in four years rather than five, and allowed for a 25% return on capital before interest and taxes, the cable operators share of gross revenues increases from 36% to 39%.

Obviously, if the Canadian programme production industry is to receive its "fair share" cable operators must only be allowed normal returns. The fairness of depreciation rates will bear watching.

Appendix III

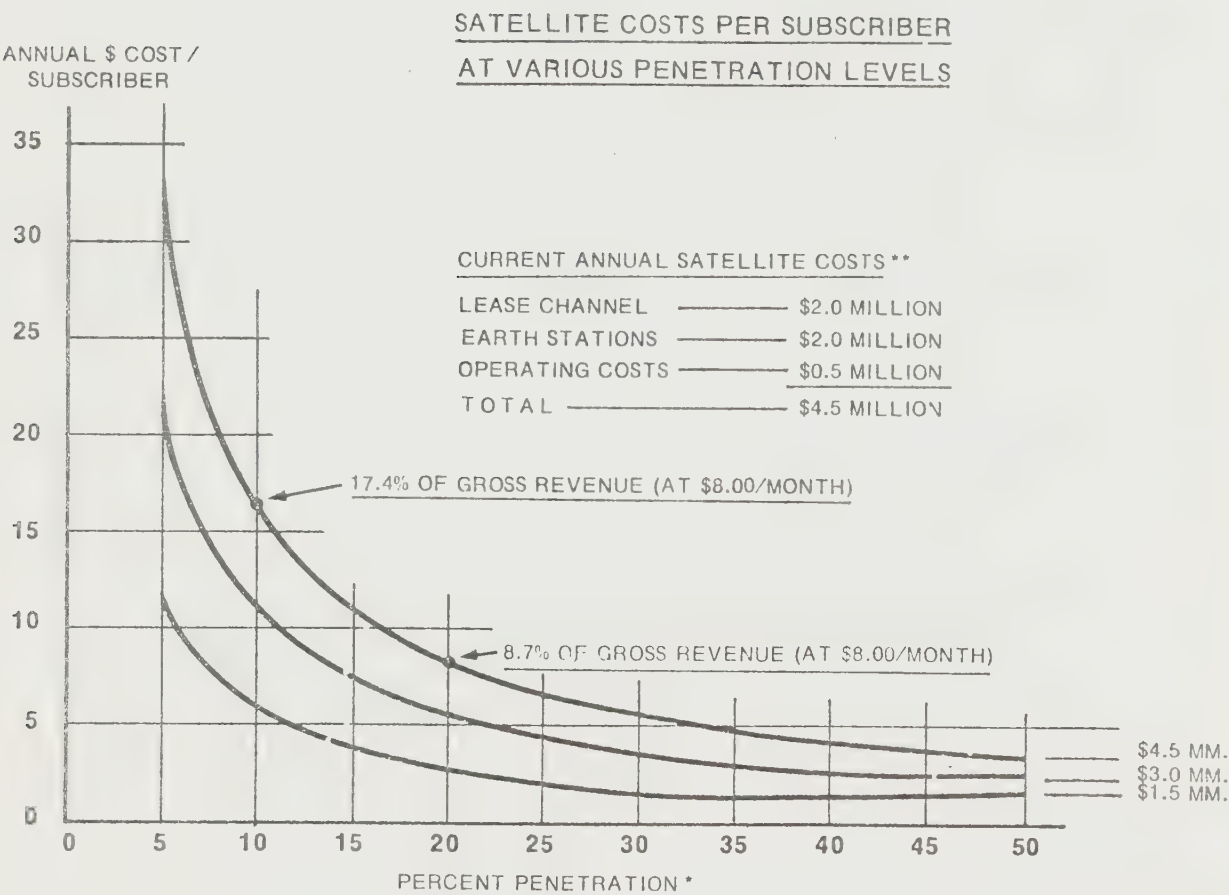
Table 1

FIVE-YEAR OPERATING STATEMENT FOR DISTRIBUTORS(I.E., CABLE COMPANIES)

(000s)

					Going	Year
	I	II	III	IV	V	Cost/ Sub/ Month
<u>A. Revenue</u>						
Cable subscribers (5% growth)	2,000	2,100	2,205	2,315	2,431	
% penetration	15%	20%	25%	30%	30%	
Pay subscribers	300	420	551	695	729	
Revenue \$	28,800	40,320	52,896	66,720	69,984	(8.00)
Distributor Revenue (36.0% of gross)	10,368	14,515	19,042	24,019	25,194	(2.88)
<u>B. Costs</u>						
Depreciation	3,830	5,270	6,842	8,570	8,978	(1.03)
Administration	1,800	2,520	3,306	4,170	4,374	(.50)
Disconnects	810	1,134	1,487	1,876	1,968	(.23)
Advertising	700	600	600	667	700	(.08)
Programs	900	1,260	1,653	2,085	2,187	(.25)
Loss of Equity	450	630	827	1,042	1,094	(.13)
Interest	1,149	1,581	2,052	2,571	2,693	(.31)
Total Operating Cost	9,639	12,995	16,767	20,981	21,994	(2.53)
<u>C. Profit Before Tax</u>	729	1,520	2,275	3,038	3,200	(.35)

AT CURRENT SATELLITE PRICING LEVELS, THE COSTS / SUBSCRIBER IN THE EARLY YEARS OF PAY APPEAR TOO HIGH



* ASSUMES 2.7 MILLION CABLE HOUSEHOLDS

** VERY ROUGH ESTIMATES ONLY

A COMPARISON OF CANADIAN PROGRAMMING
IMPACT RELATIVE TO BASIC BROADCASTING
OBJECTIVES

	Canadian Content By Pay TV	Canadian Content By Regular Broadcasters
Provide broad range unduplicated programming	Doubtful	Some chance
Prevent siphoning	Risky	No risk
Ensure high-quality programming that people will watch	Marginal impact	Good chance
Provide programs for international sale	Uncertain	Uncertain
Increase Canadians' viewing of Canadian programs	Marginal impact	Better leverage
Major goals of Canadian Broadcasting Act, including:		
- Varied programming mix	Doubtful	Provides support
- Provide high-quality programming	Marginal impact	Good chance
- Use Canadian Resources	Helpful	Helpful
- Serve regional needs	Uncertain	Some chance



Société
Radio-
Canada

Canadian
Broadcasting
Corporation

La télévision payante au Canada:

Position de la Société Radio-Canada

LA TELEVISION PAYANTE AU CANADA

POSITION DE LA SOCIETE RADIO-CANADA

Mémoire présenté au Conseil de la radiodiffusion
et de télécommunications canadiennes

30 septembre 1976

LA TÉLÉVISION PAYANTE AU CANADA
POSITION DE LA SOCIÉTÉ RADIO-CANADA

<u>CHAPITRE</u>		<u>PAGE</u>
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I - LA TÉLÉVISION PAYANTE DANS SA PERSPECTIVE

Réunir et garder les Canadiens ensemble, telle a été la préoccupation constante de notre pays depuis le début. Notre géographie elle-même ne nous en laisse guère le choix. C'est ainsi qu'on retrouve tout au long de notre histoire et au fond de notre subconscient l'épopée des chemins de fer, des télécommunications, des routes, des lignes aériennes et de la radiodiffusion.

Depuis le tout début de la radiodiffusion, les chefs de file du Canada ont perçu que cette nouvelle force exercerait une influence fondamentale sur le développement social et culturel du pays. La Commission Aird sur la radiodiffusion, établie en 1929 pour chercher comment devrait s'organiser la radiodiffusion, a prédit : « La radiodiffusion deviendra sans aucun doute un puissant facteur dans l'épanouissement du sentiment national et du civisme ». Cette prophétie s'est réalisée à divers degrés au cours des années puisque la radiodiffusion au Canada a contribué à notre développement social, culturel, politique et économique. En 1951, la Commission Massey pouvait constater que le système recommandé par la Commission Aird fonctionnait à merveille. En 1976, il reste encore vrai que la radiodiffusion joue un rôle vital dans la puissance de survie du patriotisme canadien.

En 1968, fort de son expérience de trente ans de radiodiffusion au Canada, le Parlement a précisé et articulé les objectifs de la radiodiffusion canadienne dans la Loi sur la radiodiffusion. Le Parlement y mentionne un système canadien de radiodiffusion qui combine les radiodiffuseurs publics et privés et leur confie, collectivement, la tâche d'assurer à tous les Canadiens le service de radio et de télévision, en anglais et en français. La nature du système de radiodiffusion envisagé est définie dans la Loi. Il doit être canadien, « être possédé et contrôlé effectivement par des Canadiens de façon à sauvegarder, enrichir et raffermir la structure culturelle, politique, sociale et économique du Canada ». Il doit « utiliser principalement des ressources canadiennes créatrices et autres ». Il doit offrir une programmation « variée et compréhensive » et l'élément public du système, Radio-Canada, est chargé plus particulièrement d'assurer « un service équilibré qui renseigne, éclaire et divertisse ». Le système, plus particulièrement son élément public, doit montrer le Canada aux Canadiens, les aider à connaître et comprendre les différentes parties du pays, de même que son ensemble. Il doit « contribuer au développement de l'unité nationale et exprimer constamment la réalité canadienne ».

Ces objectifs et d'autres -- tous objectifs inspirés d'un noble idéal -- ont été exprimés dans la Loi avec soin et de propos délibéré, dans l'intention de fournir aux radiodiffuseurs canadiens des principes de base et une orientation. Le but général est clair : le système canadien de radiodiffusion doit s'efforcer de contribuer directement à conserver et enrichir le canadianisme. C'est essentiel pour comprendre le but du Parlement et le but du système de radiodiffusion. Le système lui-même et les modifications qu'on suggère d'y apporter ne sauraient être jugées que dans ce contexte.

Cette Loi du Parlement, il faut le dire, est aussi solide aujourd'hui qu'en 1968. Il s'est écoulé près de dix ans depuis l'élaboration de la Loi, et pourtant ses objectifs gardent toute leur fraîcheur et toute leur actualité. Bien plus, leur actualité s'accroît quand on cherche à évaluer le rendement du système de radiodiffusion depuis 1968 ou, à vrai dire, les désavantages formidables que les radiodiffuseurs canadiens ont dû affronter.

D'une part, les moyens d'assurer le service de radiodiffusion aux Canadiens, en anglais et en français, ont grandement augmenté, la capacité du système, ses moyens techniques se sont multipliés. La Société Radio-Canada en particulier a continué à multiplier ses émetteurs, stimulée et secondée en cela par un plan de rayonnement accéléré conçu pour assurer le service de radio et de télévision à pratiquement tous les Canadiens. Le deuxième service de télévision commerciale et privée a également étendu son activité. Et un troisième service de télévision en langue anglaise a été autorisé dans les grandes villes de l'Ontario. L'explosion du service de télévision par câble revêt une importance égale, sinon supérieure; presque la moitié des foyers canadiens sont abonnés au service. En fait, le Canada est actuellement le pays le plus « câblé » au monde, offrant le plus vaste choix d'émissions de télévision, principalement des émissions américaines et canadiennes. Nous estimons qu'en 1980 quelque 80% des foyers canadiens auront accès au câble et que presque 70% d'entre eux y seront abonnés. Dans leur ensemble, ces faits sont autant de résultats étonnants dans l'effort pour assurer aux Canadiens les services de radiodiffusion les plus vastes. Tout aussi remarquable aussi est le fait d'assurer à tous les Canadiens les services canadiens que le Parlement avait en vue.

Mais les réalisations de ce système de radiodiffusion élaboré ne peuvent pas toutes être qualifiées d'encourageantes, surtout si on les examine en fonction des objectifs de la Loi sur la radiodiffusion. Il est vrai que la radio canadienne est un succès, du moins par l'assiduité des Canadiens à consacrer la plupart de leur temps d'écoute radio à des émissions canadiennes. Mais la télévision est le média dominant de nos jours, tant par le temps que les Canadiens passent à la regarder que par sa puissance globale d'impact. Et quels sont les faits concernant la télévision aujourd'hui? Celui qui frappe le plus, c'est que la plupart des Canadiens consacrent la plupart de leur temps à regarder des émissions étrangères, surtout américaines. Les Canadiens d'expression anglaise ne passent à regarder des émissions canadiennes qu'un tiers du temps qu'ils consacrent à la télévision. Et une bonne partie de ces émissions appartiennent à la catégorie des sports ou à celle des informations. Chez les francophones, la programmation étrangère est populaire aussi : à Montréal, environ 45% du temps qu'ils passent devant le petit écran est consacré à des émissions étrangères -- 35% en langue française et 10% en langue anglaise.

Ces quelques données statistiques étonnantes suggèrent, à notre avis, qu'il y a réellement lieu de s'inquiéter. Et l'inquiétude ne porte pas sur la capacité du système de radiodiffusion canadienne d'atteindre les Canadiens, mais bien sur son aptitude à fournir des émissions canadiennes, des émissions qu'ils choisiront de regarder souvent, régulièrement et avec satisfaction. Nous croyons donc que tout ce qui se fait en radiodiffusion, tout changement qu'on propose d'apporter au système doit être jugé en fonction des objectifs de la Loi. On doit se demander si cela contribue au but poursuivi par le Parlement, à la radiodiffusion canadienne.

Il en va ainsi de la télévision payante.

II - DÉFINITION DU CARACTÈRE PROBABLE DE LA TÉLÉVISION PAYANTE AU CANADA

Les observateurs du système de radiodiffusion canadienne reconnaissent généralement que la télévision payante est une innovation et un événement important. En réalité, c'est le plus récent d'une série d'événements capitaux qui ont transformé le système de radiodiffusion canadienne depuis environ dix ans. Par conséquent il faut analyser la télévision payante aussi bien en soi que dans le contexte plus étendu du système pris dans son ensemble ou dans ses éléments constitutifs. Pareilles analyse et évaluation sont essentielles pour bien comprendre le caractère probable de la télévision payante au Canada et ses répercussions probables sur la radiodiffusion canadienne. Tout au cours des débats sur la télévision payante, il nous a semblé important de bien distinguer les choses qui peuvent être souhaitables de celles qui sont tout probablement possibles.

De toute évidence, définir le caractère probable de la télévision payante au Canada n'est pas une tâche de tout repos. Il est possible cependant d'augurer et de faire certaines prédictions sur la forme et le caractère que prendrait probablement la télévision payante si elle était introduite au Canada. De tels augures s'inspirent de l'expérience vécue aux Etats-Unis et des études qui en ont été faites aussi bien là qu'ailleurs. On peut donc ainsi discerner le cheminement probable de la télévision au Canada.

Bref, il nous semble clair que :

1. Il faut tenir la télévision payante pour une solution de rechange à la télévision gratuite, mais une solution qui risque d'être accessible à beaucoup moins de personnes.
2. Il s'agit là d'un média offrant des émissions de divertissement de masse hautement rentables, surtout des longs métrages et des émissions sportives, du moins si l'on s'en remet à l'expérience des Etats-Unis.
3. Au Canada, il est presque certain qu'elle serait calquée sur le modèle américain qui a remporté du succès et qu'ainsi elle serait dominée par le cinéma et les sports américains, compte tenu des prévisions les plus optimistes quant au nombre de films canadiens que notre industrie cinématographique pourra réussir à produire pour les distributeurs de télévision payante et de cinéma.
4. Vu ses caractéristiques inhérentes, la télévision payante ne serait pas le véhicule qui convient pour les émissions spécialisées que n'offre pas encore la télévision à ondes hertziennes.

5. En raison de la présence d'autres institutions publiques et privées au Canada, la télévision payante ne serait pas un véhicule approprié pour réaliser, commander ou financer des longs métrages.

Nous en sommes venus à ces conclusions pour les raisons suivantes :

1. Il faut tenir la télévision payante pour une solution de rechange à la télévision gratuite, mais la télévision payante est, de par sa nature, fondamentalement différente de la télévision gratuite dans sa base économique. La télévision ordinaire a été mise, à une grande échelle et gratuitement, à la disposition de presque tout le monde au Canada et aux Etats-Unis, grâce à des crédits de l'Etat et/ou la publicité commerciale.

D'autre part, la télévision payante est fondamentalement différente dans sa base économique. Les « clients » paient directement pour les émissions qu'ils regardent, pour telle ou telle émission ou tel ou tel canal. Et la télévision payante est disponible soit par câble coaxial ou par ondes hertziennes. Mais elle comporte des limites très importantes en matière de rayonnement, surtout en raison de la géographie du Canada et de l'histoire de la politique de la radiodiffusion. Le rayonnement de la télévision payante, dans un avenir prévisible, sera limité aux agglomérations urbaines à forte population. En outre, il sera limité aux foyers qui auront les moyens de payer son coût plutôt élevé.

2. La télévision payante est un média qui offre des émissions de divertissement de masse hautement rentables, surtout des longs métrages et des sports. Les exploitants américains de télévision payante ont constaté, après des années de tâtonnements, que les foyers américains paieront pour un long métrage offert sans publicité bientôt après la première présentation du film ou bien avant son passage à la télévision gratuite. Et ils paieront pour les principales manifestations sportives que n'offre pas la télévision gratuite (par exemple, Home Box Office (HBO) offre à ses abonnés les matches que jouent dans leur propre ville les équipes des principaux sports sur une base régionale). Mais il ne semblent disposés à payer pour presque rien d'autre.

Rappelons qu'il ressort clairement de l'expérience des Etats-Unis que les dérogations à la formule de programmation des films et des sports ne sont pas profitables, mais sont habituellement fatales. Les statistiques sont concluantes : la majorité des gens ne sont pas disposés à payer pour des événements « spéciaux », tels le théâtre, le ballet, etc. Aux termes des règlements de la Federal Communications Commission (FCC), les exploitants de télévision payante doivent programmer au moins 10% d'émissions ne portant pas sur les sports et le cinéma, mais cette exigence en matière de contenu est tenue pour une contrainte, une espèce de « coût des affaires ». Par conséquent la plupart des exploitants de télévision payante se soucient peu de ce qu'ils programment dans cette catégorie de 10%, s'en remettant aux courts métrages, aux récits de voyages et aux autres « interludes » de même nature, à bon marché.

L'industrie de la télévision payante américaine, telle qu'elle est maintenant constituée, semblerait en bonne posture, malgré un départ hésitant, et continue d'évoluer rapidement. Le réseau dominant (HBO) est bien financé (par Time Inc.) et est en train de se tailler rapidement un marché solide et d'acquérir de l'expérience en gestion. Actuellement, environ trois quarts de million de foyers américains reçoivent la télévision payante, soit environ un pour cent de l'ensemble des foyers. Mais la télévision payante n'est pas à la portée de tous, soit du fait que la télédistribution est comparativement peu répandue (seulement 18% des foyers américains ont le câble, contre 48% au Canada), soit parce que les décisions administratives de la FCC au sujet de la télévision payante à ondes hertziennes sont lentes à venir. (La télévision payante à ondes hertziennes, solution de rechange à la télédistribution, est fondée sur la transmission d'une fréquence UHF qui est alors débrouillée par un convertisseur domestique. Elle est populaire aux Etats-Unis pour diverses raisons, tout particulièrement du fait que la plupart des villes américaines ne sont pas encore câblées. De nombreuses demandes sont en cours de traitement). La croissance de la télévision payante aux Etats-Unis se poursuivra, et selon les conjectures les plus mesurées, trois millions de foyers y seront abonnés en 1980. Même les radiodiffuseurs américains, longtemps opposés activement à la télévision payante, reconnaissent que ce sera une « belle petite affaire ».

3. Au Canada, il est presque certain que la télévision payante serait dominée par le cinéma et les sports américains si elle veut survivre. Nous tenons pour irréalistes les autres suppositions sur le caractère probable de la télévision payante. La forte attraction générale des produits culturels américains, particulièrement des films et des émissions de télévision, est trop bien connue pour qu'il y ait lieu de s'y arrêter ici. Au point de vue commercial, la rentabilité de la télévision payante est plus ou moins semblable au Canada (bien que la télédistribution, qui est comparativement plus à point -- si elle est choisie pour distribuer le service -- ait à faire face à des investissements de capitaux et à des risques beaucoup moins élevés que son pendant américain). De sorte qu'il semble très probable que les exploitants canadiens de télévision payante éventuels concevront leur programme dans la même veine.

Il convient de préciser cette question, vue que si souvent les tenants de la télévision payante promettent des émissions canadiennes -- et surtout des longs métrages canadiens -- en guise d'appât. Mais cet appât, il nous semble, est illusoire si l'on jette un coup d'oeil sur l'ensemble du programme de la télévision payante et si l'on tient compte de la quantité d'émissions qu'il faudrait en réalité. Il faut se demander combien on pourrait produire de bons longs métrages canadiens dans une année, même si l'on augmentait substantiellement les ressources et l'on disposait d'une industrie plus forte et plus hautement rationalisée. Les estimations varient considérablement, le coeur et la raison intervenant. Certains disent que le Canada anglais peut produire cinq ou six longs métrages par année, d'autres disent plus. Quoi qu'on en dise, l'ordre de grandeur de toute estimation réaliste est vraiment modeste étant donné la boulimie qui caractérisera probablement le programme de la télévision payante. Il en ressort clairement que le gros des émissions seraient américaines et, dans une mesure plus faible, britanniques⁸⁸.

⁸⁸ Le plus grand exploitant de télévision payante au canal, aux Etats-Unis Home Box Office (HBO), programmait dernièrement 12 heures par jour, sept jours par semaine. Pareil programme exige évidemment une somme considérable d'émissions. En juin 1975, par exemple, HBO a présenté 23 films. Dans ce contexte, même si la télévision payante au Canada pouvait disposer d'un long métrage canadien chaque mois, son programme resterait inévitablement à prédominance étrangère.

Certains font valoir qu'une quantité élevée -- et obligatoire -- de longs métrages canadiens finirait par produire plus de bons films canadiens. Il est indubitable que les longs métrages canadiens seraient -- et devraient être -- un élément bienvenu et intéressant de tout service de télévision payante canadien. Mais, ici encore - soyons réalistes - il semble clair que la télévision payante, si elle doit réussir, aurait besoin de douzaines de films chaque année. Cette demande est beaucoup trop élevée pour qu'on puisse y répondre au Canada. En fait, les ressources financières de la télévision payante à affecter à la production cinématographique ne suffiraient pas pour produire un grand nombre de longs métrages, étant donné que la majorité de ces derniers coûtent plusieurs millions de dollars.

En outre, ce serait une erreur de supposer que la télévision payante assurerait un marché illimité aux films canadiens, de quelque qualité qu'ils soient. Les impératifs du marché -- soit les quelque \$100 par année que la télévision payante coûterait aux abonnés -- forceraient tout exploitant de télévision payante à assurer un programme qui séduise le consommateur canadien moyen. Et ce programme, pour peu qu'on l'envisage de façon réaliste, serait surtout américain. Bref, il semble clair que la télévision payante ne serait pas la panacée aux difficultés de l'industrie cinématographique canadienne.

4. La télévision payante n'est pas le véhicule qui convient pour les émissions spécialisées que n'offre pas encore la télévision à ondes hertziennes. Certains affirment que la télévision payante fournirait l'occasion de produire et de présenter un plus grand nombre d'émissions spécialisées, par exemple sur les activités régionales en matière d'arts du spectacle ou de choses semblables. La Société Radio-Canada est sûrement d'accord que les diverses activités régionales devraient être montrées à la télévision. Et nous es-sayons, sous réserve de la contrainte réelle de nos ressources limitées, d'offrir gratuitement certaines de ces manifestations. Mais nous ne pensons pas que la télévision payante soit le véhicule idoine, une fois que les Canadiens auront décidé qu'ils ont les moyens d'avoir pareilles émissions spécialisées de télévision.

Si nous affirmons cela, c'est pour des raisons d'ordre pratique aussi bien que pour des raisons de principe. Tout d'abord, ainsi que nous l'avons déjà signalé, rien ne prouve que les émissions spécialisées, destinées aux minorités, aient du succès à la télévision payante; on a même la preuve du contraire : il est clair que les gens, à une majorité écrasante, préfèrent le divertissement de masse rentable, surtout le cinéma, y compris les émissions sportives. Cette préférence se manifeste également dans les habitudes d'écoute de la télévision gratuite. Et rien ne porte à croire que les gens qui ordinairement ne suivent pas les émissions spécialisées qui leur sont offertes gratuitement paieraient pour les regarder à la télévision payante.

En second lieu, et c'est ce qui nous importe davantage, un principe fondamental est en jeu. Notre pays a besoin, c'est indéniable et on l'a constaté, d'émissions spécialisées. La Loi sur la radiodiffusion, en fait, est précise en ce qu'elle demande un flot régulier d'émissions régionales d'information et de divertissement et, de façon plus générale, d'émissions contribuant au développement de l'unité nationale et à l'expression de la réalité canadienne. C'est pourquoi on peut se demander quel argument peut-on

invoquer pour affirmer que toute émission régionale supplémentaire (réalisée par suite de l'introduction de la télévision payante) devrait être présentée seulement à ceux à qui l'on offre le service et qui ont les moyens de le payer. Du seul fait qu'une partie des profits de la télévision payante pourrait être affectée à des émissions spéciales de ce genre, pourquoi faudrait-il réaliser pareilles émissions pour la télévision payante et les y présenter? Il est sûr que le parti le plus logique à prendre serait d'attribuer ces profits aux radiodiffuseurs ordinaires qui, à leur tour, produiraient des émissions pour des auditoires plus généraux. Les radiodiffuseurs canadiens ont la compétence et les capacités de production pour réaliser pareilles émissions et il est de leur devoir de mettre gratuitement les émissions de télévision à la portée d'autant de Canadiens que possible.

Nous sommes d'avis, en somme, qu'il faudrait offrir aux Canadiens un vaste éventail d'émissions canadiennes qui ne fassent pas double emploi avec ce qu'offrent actuellement les services canadiens existants. Mais ce n'est pas la télévision payante qui va permettre d'y arriver : il est sûr qu'il serait mieux d'avoir un second canal de Radio-Canada, relayé par câble et qui serait à la disposition de tous les abonnés à la télédistribution, non pas seulement de ceux qui ont les moyens d'avoir un canal payant. C'est sûrement là notre avis. Et il nous semble que le moment d'introduire un canal de Radio-Canada par câble est particulièrement propice. Le Parlement décidera bientôt s'il désire retransmettre les délibérations de la Chambre des communes. A supposer qu'il décide de le faire, un second canal non commercial de Radio-Canada pourrait être établi pour assurer à autant de Canadiens que possible le reportage de base des débats du Parlement. En plus de fournir ce service de base, Radio-Canada pourrait organiser ce second service de façon à présenter des émissions « spécialisées » d'intérêt national et régional. L'idée nous en semble passionnante : on aurait ainsi le rayonnement le plus complet des débats du Parlement et des émissions spécialisées mais sans que soit nécessaire un autre canal à ondes hertziennes de Radio-Canada, qui serait très coûteux. Nous sommes en train d'approfondir cette idée.

5. La télévision payante n'est pas un véhicule approprié pour réaliser, commander ou financer des longs métrages. Cette question, tout comme la précédente, se fonde sur des considérations d'ordre pratique ainsi que sur un principe. En premier lieu, il ne nous semble ni raisonnable ni utile d'avoir dans une entreprise de télévision payante le pendant du rôle actuel que joue la Société de développement de l'industrie cinématographique canadienne (SDICC). Cet organisme a actuellement pour mission d'aider et de rationaliser la production cinématographique canadienne et d'y investir. Pourquoi un pendant? En second lieu, il ne nous semble pas, en principe, que disperser davantage la production, la passation des commandes et le financement de la production cinématographique et télévisuelle soit logique dans un pays comme le Canada: nous avons trop peu de ressources et nous sommes disséminés sur un trop grand territoire pour nous permettre de multiplier pareilles entreprises. En fait, la seule multiplication des entreprises n'aboutit pas nécessairement aux réalisations et à l'excellence, ainsi qu'on le prétend si souvent; il ressort trop fréquemment des preuves que cela aboutit dans un sens contraire.

Pour ces raisons, nous soutenons que la télévision payante, advenant son établissement au Canada, devrait acheter ses émissions des sources de production actuelles. Il nous semble évident qu'il n'y a pas de pénurie d'installations et d'équipements de production -- de hardware -- dans les secteurs public et privé. Ce qui est rare, et le sera toujours, c'est les idées d'émissions créatrices ainsi que les ressources humaines et financières nécessaires pour leur réalisation. La télévision payante peut avoir un rôle à jouer à cet égard, mais non en tant que producteur. Soutenir le contraire équivaldrait à préconiser un autre producteur d'émissions dans un domaine déjà encombré. En fait, ce serait préconiser la création d'une autre bureaucratie en supposant que l'excellence est en quelque sorte fonction de la prolifération des bureaucraties, ce qui est une supposition manifestement contestable.

Bref, nos conjectures sur le caractère probable de la télévision payante, advenant qu'elle soit introduite au Canada, nous amènent à conclure qu'il est important de reconnaître la télévision payante pour ce qu'elle est ailleurs et ce qu'elle serait ici, à savoir un service qui serait inévitablement dominé par les longs métrages et les manifestations sportives des Etats-Unis. Il est donc essentiel de ne pas concevoir ou entrevoir la télévision payante comme une sorte de panacée ou de remède à tous les maux, réels ou imaginaires, des industries du cinéma et de la radiodiffusion du Canada. Il est sûr que les Canadiens n'ont pas besoin d'importer plus de culture américaine pour régler leurs propres problèmes d'ordre culturel. Et si ce n'est pas là la raison qui milite en faveur de la télévision payante au Canada, quelle est alors la raison?

III - ÉVALUATION DES COÛTS ET AVANTAGES POSSIBLES DE LA TÉLÉVISION PAYANTE

Notre évaluation des coûts et avantages de la télévision payante au Canada se fonde sur notre perspective de ce que la télévision payante serait ou ne serait pas probablement au Canada. En premier lieu, examinons brièvement les coûts probables, si la télévision payante devait être introduite au Canada, en étudiant les répercussions « culturelles » probables sur le Canada anglais et le Canada français. Ensuite, à supposer que la télévision payante se répandait au Canada anglais, nous supputons ses autres coûts principaux, notamment ses répercussions probables sur les auditoires et les émissions canadiennes que ces auditoires regarderont ainsi que le risque que la télévision payante « siphonne » les événements que montre actuellement la télévision gratuite et les talents que cette dernière emploie. Enfin, nous analysons les avantages de la télévision payante, notamment les bénéfices qu'on pourrait en retirer pour servir les objectifs du système de radiodiffusion canadienne.

Bref, nous concluons que le « coût » net de l'introduction de la télévision payante serait élevé en ce qui touche autant ses répercussions probables sur les éléments actuels du système de radiodiffusion que, au mieux, sa contribution limitée et très indirecte, à la réalisation des buts et objectifs de la Loi sur la radiodiffusion. Plus précisément, nous concluons que :

1. Au Canada anglais, l'introduction de la télévision payante multiplierait le nombre déjà imposant des émissions américaines importées, avec les conséquences culturelles qui en découleraient, ce qui contribuerait à déséquilibrer davantage l'ensemble du système et à aggraver les dangers déjà énormes auxquels font face les radiodiffuseurs canadiens aux prises avec la concurrence serrée pour l'auditoire canadien.
2. Au Canada français, la télévision payante semblerait être contestable au point de vue tant des répercussions culturelles néfastes qu'elle entraînerait probablement que de sa rentabilité.
3. La télévision payante fragmenterait davantage les auditoires de la télévision canadienne et amenuiserait l'écoute des émissions canadiennes, surtout si elle devait adopter le tarif au canal.
4. La télévision payante susciterait naturellement et inévitablement aux réseaux de télévision gratuite et aux indépendants des risques de siphonage des émissions et des talents, tout particulièrement si un contenu canadien lui était imposé.

On peu s'arrêter brièvement sur chacun des ces « coûts ».

1. Au Canada anglais, l'introduction de la télévision payante multiplierait le nombre des émissions américaines importées et, par voie de conséquence, augmenterait la concurrence déjà serrée pour les auditeurs canadiens. La

rentabilité de la télévision payante est beaucoup moins problématique au Canada anglais qu'au Canada français: il semble probable que la télévision payante de langue anglaise serait un succès économique si on lui permettait de se développer (nous abordons plus loin la rentabilité de la télévision payante anglaise). Mais les coûts, au point de vue culturel, de la télévision payante, sont vraiment imposants. Tout d'abord, étant donné la nature inévitable du programme de la télévision payante -- composé surtout de longs métrages et d'émissions sportives des Etats-Unis -- le nombre des émissions de télévision importées disponibles, déjà élevé, augmenterait encore davantage (nous pensons qu'on peu s'attendre que plus de 90% des émissions de tout service à tarif au canal seraient étrangères; le contenu étranger d'un service à tarif à l'émission pourrait être même plus élevé).

En second lieu, étant donné le caractère divertissant des émissions de télévision payantes, l'effort en vue de réaliser l'équilibre voulu entre les émissions qui informent, éclairent et divertissent dans le système canadien de radiodiffusion subirait un autre recul. En fait, comme le CRTC l'a déjà fait observé, l'équilibre actuel entre les émissions qui cherchent à informer, à éclairer et à divertir les Canadiens, est contestable, surtout aux heures de pointe. Il est sûr que les efforts en vue de réaliser un meilleur équilibre sont compromis par l'importation à une large échelle et répandue d'émissions de télévision américaines. (Il n'y a presque pas d'émissions non divertissantes, par exemple, aux heures de pointe des horaires des réseaux américains). La télévision payante ne saurait améliorer les choses.

2. Au Canada français, la télévision payante semble contestable pour au moins deux motifs :

a) La télévision payante de langue française, si on lui permet de se développer, aurait de graves répercussions « culturelles », et c'est là sans conteste l'objection la plus importante à la télévision payante de langue française. Le programme de la télévision payante française devra comprendre surtout des émissions étrangères, doublées ou soustitrées en français. Pareil programme aurait de graves répercussions sur les éléments constitutifs de langue française du système de radiodiffusion canadienne en modifiant sensiblement l'équilibre de ce système du fait que les émissions étrangères disponibles augmenteraient considérablement.

Au Canada anglais, nous estimons que les bons deux tiers du temps que le téléspectateur passe devant son écran sont consacrés à des émissions étrangères, surtout américaines, qu'il reçoit sur des canaux américains et canadiens. Et à Toronto, où l'apport d'émissions américaines est relativement plus élevé, la proportion de temps consacrée à suivre des émissions étrangères est de près de 75%. Au Canada français, d'autre part les émissions étrangères retiennent une proportion plus faible de l'écoute globale, bien qu'une récente analyse indique que la proportion de l'écoute des émissions étrangères dans les foyers de langue française atteint 45%.¹¹

¹¹ La Société Radio-Canada a effectué dernièrement un traitement spécial à l'ordinateur des cotes BBM pour les foyers de langue française dans la région de Montréal, comme moyen d'évaluer l'écoute des émissions par pays d'origine. Selon cette étude, plus de la moitié (55%) du temps d'écoute des foyers de langue française (dans une semaine type, au cours d'un jour de diffusion complet) était consacrée à des émissions d'origine canadienne en langue française; le reste, soit 45% était consacré à l'écoute d'émissions étrangères -- 35% en langue française et 10% en langue anglaise (sur les canaux de langue anglaise bien entendu).

Il semble y avoir trois raisons principales à l'attrait moindre des émissions étrangères dans les foyers de langue française :

- (1) Le nombre des émissions étrangères offertes en langue française est relativement moins élevé que celui des mêmes émissions offertes en langue anglaise; (2) les foyers de langue française sont en général moins enclins à suivre beaucoup d'émissions en langue anglaise; et, ce qui est très important (3) le fort attrait qu'exercent, comparativement, les émissions canadiennes-françaises sur les foyers de langue française. La télévision payante de langue française, si elle était introduite, détruirait cet équilibre et augmenterait certainement l'écoute des émissions étrangères par les foyers canadiens-français.

En outre, il importe d'étudier soigneusement les répercussions possibles de la télévision payante de langue anglaise, si elle était mise à la portée des foyers de langue française. L'attrait de la télévision payante de langue anglaise, d'un contenu à prédominance étrangère, pourrait détourner un certain nombre de téléspectateurs de langue française des émissions canadiennes de langue française qu'offre actuellement la télévision ordinaire.

b) Les perspectives économiques de la télévision payante de langue française ne semblent généralement pas alléchantes. Le succès économique de tout service de télévision payante dépend, évidemment, de la demande pour le service et du coût de ce dernier. D'une part, personne ne sait ce que serait la demande pour un service dominé par des films étrangers (surtout américains) doublés et des émissions sportives, mais, à notre avis, elle serait inférieure à la demande prévue au Canada anglais (où, selon les estimations, la proportion des foyers qui s'abonneraient à la télévision payante varierait entre 15 et 40%). Il est un indice qui permet de croire que la demande pour la télévision payante française serait relativement faible; c'est le développement limité actuel de la télédistribution de base dans les foyers de langue française, par rapport à ceux de langue anglaise. Il n'y a que 360 000 foyers de langue française qui ont le câble, soit 23% de l'ensemble des foyers canadiens-français, contre 48% pour les foyers de langue anglaise. Si la pénétration de la télévision payante française était, à l'instar de celle de la télédistribution de base, seulement la moitié de ce qu'on pourrait prévoir pour le Canada anglais (mettons 12%), le total des foyers dotés de la télévision payante serait de 43 000 seulement, et le rendement limité en recettes signifierait des « profits » comparativement bas à investir dans la production d'émissions canadiennes.

* Les données de base de cette estimation sommaire sont les suivantes : 360 000 foyers de langue française ont le câble. Si la pénétration de la télévision payante était de 12% (environ 50% de l'estimation de la pénétration de la télévision payante anglaise typique), le nombre des foyers abonnés à la télévision payante de langue française totaliserait environ 43 200. Si chaque foyer payait \$8 par mois, les recettes annuelles brutes de la télévision payante seraient d'environ \$4,1 millions. Et si 15% de ces recettes brutes de \$4,1 millions étaient consacrés à la production canadienne, cela produirait quelque \$600 000, ce qui est un montant insignifiant pour un service de 52 semaines par année.

D'autre part, il en coûterait relativement plus cher pour assurer la télévision payante de langue française. Règle générale, ce serait à cause des coûts fixes plus élevés des émissions de langue française par rapport aux émissions de langue anglaise, étant donné les différences prévisibles dans la base-client (peut-être seulement 43 200 foyers de langue française contre, mettons, 700 000 ou plus de langue anglaise).

3. La télévision payante fragmenterait davantage les auditoires canadiens et amenuiserait l'écoute des émissions canadiennes surtout si elle adoptait le tarif au canal. La fragmentation de l'auditoire de la télévision est déjà prononcée au Canada, nous le savons tous. Cette fragmentation est surtout attribuable à l'expansion de la télédistribution et à l'attribution de licences à de nouvelles stations et nouveaux réseaux. Ces questions ont été analysées à fond et ont fréquemment fait l'objet de commentaires; il est donc certain que le Conseil connaît bien les faits. A notre avis, la télévision payante fragmenterait encore davantage l'auditoire de la télévision; selon nos estimations, la télévision à ondes hertziennes risquerait de subir une perte d'auditoire oscillant entre 4 et 8% si la télévision tarifée au canal était introduite. Il est plus difficile d'estimer quelle serait la perte qu'entraînerait la télévision tarifée à l'émission, si elle était introduite, mais nous pensons qu'elle serait sensiblement moins élevée. En effet, il est probable qu'on déciderait de payer pour une émission cinématographique ou sportive particulière un peu comme on décide d'assister à pareilles présentations en dehors du foyer.

Quoi qu'il en soit, une augmentation des émissions étrangères disponibles aboutirait à une nouvelle réduction de la proportion de temps d'écoute que les Canadiens passent à regarder les émissions canadiennes. On peut démontrer, en se fondant sur l'expérience canadienne vécue, que l'addition de canaux de télévision de rechange aboutit le plus souvent à une réduction de l'écoute des émissions canadiennes par les Canadiens. On pouvait s'attendre à pareille réduction -- en fait, elle était inévitable -- lorsque les canaux américains sont devenus disponibles, soit par voie hertzienne, soit par câble coaxial. On pouvait moins s'attendre à l'érosion de l'écoute des émissions canadiennes à la suite de l'attribution de licences, au cours des dernières années, à des troisièmes stations et réseaux canadiens, malgré qu'on ait maintenu le règlement imposant un contenu canadien de 50%.

Pourquoi donc devrions-nous attendre de la télévision payante autre chose qu'une réduction de l'écoute des émissions canadiennes, surtout à la télévision tarifée au canal? Comment pourrions-nous en arriver à une conclusion autre que celle que son introduction militerait contre l'objectif qui est d'augmenter la proportion de temps d'écoute que les Canadiens consacrent aux émissions canadiennes. Il est sûr que'on ne saurait plus qualifier de « modeste » et écarter le déclin de l'écoute des émissions canadiennes. Il arrive un point où même les plus optimistes sur l'importation de la culture américaine doivent s'inquiéter.

⁸³ Selon le Service des recherches de Radio-Canada, si la pénétration de la télévision payante à Toronto était de 25%, l'écoute des émissions américaines entre 18 h et minuit passerait de 75 à 77% des heures d'écoute. Avec une pénétration de 50%, l'écoute « américaine » atteindrait au moins 79%.

Il convient d'ajouter un mot au sujet de la différence entre la télévision tarifée au canal et la télévision tarifée à l'émission. A la télévision tarifée au canal, les abonnés paient un forfait mensuel pour un programme d'émissions qu'ils peuvent alors regarder n'importe quand durant la journée d'émission. A la télévision tarifée à l'émission, les abonnés ne paient que pour les émissions qu'ils décident expressément de regarder. Au Canada comme aux Etats-Unis, ceux qui, dans le secteur privé s'y intéressent, préfèrent la tarification au canal, comme première étape vers une multiplication éventuelle des services de télévision payante tarifés à l'émission. Si l'on préfère, pour commencer, la télévision tarifée au canal, c'est pour deux raisons fondamentales. D'abord on estime qu'elle aurait plus de chances que la télévision tarifée à l'émission de susciter et d'enraciner l'idée de la télévision payante. Le consommateur n'ayant pas encore accepté l'idée de la télévision payante, on est fondé à croire que les risques d'insatisfaction augmentent avec le nombre de fois où il remet en cause les fonds qu'il affecte à la télévision payante; la télévision tarifée au canal minimise le nombre de ces décisions. En second lieu, la technologie du hardware « adressable » qu'exige la télévision tarifée à l'émission n'a pas encore été perfectionnée et le coût actuel des prototypes est élevé par rapport à celui des caisses (ou filtres) non adressables qu'utilise la télévision tarifée au canal. De sorte que les considérations de rentabilité motivent l'ajournement.

D'autre part, il coûterait plus cher d'introduire la télévision tarifée au canal que la télévision tarifée à l'émission, du fait que le nombre d'émissions fournies et donc vues serait probablement plus élevé à la télévision tarifée au canal. Une fois payée la mensualité, le service quotidien est assuré aveuglement, étant à la disposition de tout membre du foyer abonné, enfants compris.

Il nous semble, ainsi que nous l'avons dit, inévitable que la télévision tarifée au canal ait pour résultat de fragmenter davantage l'auditoire et d'aggraver la perte de téléspectateurs subie par la télévision ordinaire. En outre, la télévision tarifée au canal, qui exige plus d'émissions pour meubler son programme, risquerait plus que la télévision tarifée à l'émission d'exposer les radiodiffuseurs canadiens ordinaires au siphonage.

4. La télévision payante susciterait naturellement et inévitablement des risques de siphonage pour la télévision à ondes hertziennes, tout particulièrement si l'on devait imposer à la télévision payante un contenu canadien. Le Conseil connaît bien la nature et l'ampleur de la question du siphonage en ce qu'elle touche à la télévision payante; en fait, cette question occupait une place dans le projet de politique du Conseil de février 1975. Il était clairement reconnu, dans ce document, -- ainsi qu'il l'a été par divers intervenants aux audiences publiques subséquentes, en juin 1975 -- que les règlements anti-siphonage devront être obligatoires, à la fois pour protéger la base économique déjà précaire de la télévision à ondes hertziennes actuelle et pour assurer que les téléspectateurs canadiens pourront avoir largement accès aux principaux événements. Personne, du moins autant que nous sachions, n'a jamais suggéré par exemple que le hockey de la Coupe Stanley ne devrait être

offert qu'aux Canadiens qui à la fois ont à leur portée la télévision payante et ont les moyens de se la payer. Pareille éventualité serait évidemment contraire à la théorie fondamentale et aux principes du système de radio-diffusion canadienne.

Il convient de s'arrêter sur la question siphonage. Il est généralement reconnu que les risques de siphonage par la télévision payante se présenteraient dans deux domaines: les émissions et les talents. D'abord, dans le cas des émissions, le risque se présenterait quand les exploitants de la télévision payante chercheraient à obtenir les droits sur les activités et les événements susceptibles d'avoir un véritable intérêt pour les abonnés à la télévision payante. Compte tenu du caractère probable de la télévision payante -- surtout des longs métrages et des émissions sportives, ainsi qu'on l'a vu dans le chapitre II -- il serait inévitable qu'une concurrence directe avec la télévision ordinaire se produise en ce qui touche ces émissions. Et, ironie du sort, la concurrence augmenterait ou diminuerait plus ou moins en proportion du niveau de contenu canadien qui serait obligatoire dans les émissions: plus est élevé le contenu canadien exigé, plus est grande la concurrence avec la télévision « gratuite ».

Un règlement anti-siphonage serait incontestablement nécessaire. Dans l'intérêt général, afin de protéger le droit de tous les téléspectateurs à l'accès libre, aux Etats-Unis, le règlement actuel restreint les longs métrages et les manifestations sportives disponibles à la télévision payante.* Malgré la faisabilité des garanties anti-siphonage, il y a motif à continuer de s'inquiéter. Il est évident qu'on ne saurait prévoir toutes les éventualités en matière d'émissions -- l'avènement et la propagation au Canada d'un nouveau sport, tel le « soccer », en est un exemple: est-ce que les droits de retransmission du match seraient ou non offerts à la télévision payante?

En second lieu, il y a risque de siphonage des talents, risque en effet qu'une proportion importante d'écrivains, acteurs et actrices, réalisateurs, musiciens, designers, cinématographes et autres, de talent du Canada en viennent à se livrer à une activité à la télévision payante, peut-être sur une base de « services exclusifs ». La rareté est au coeur même de tout problème de créativité -- rareté de concepts, d'idées, de gens ainsi que des ressources et moyens nécessaires pour les concrétiser. Le problème que pose la rareté n'est peut-être nulle part aussi aigu qu'au Canada, qui doit relever un double défi, celui de l'aggravation de ces raretés découlant de notre géographie et celui des réalités de la concurrence de notre imposant voisin, si richement doté en ressources et talents. De sorte qu'il est clair qu'il faut avoir grand soin de décourager tout ce qui pourrait inhiber d'une façon marquée les efforts que font les radiodiffuseurs ordinaires pour réaliser et présenter à tous les Canadiens les émissions qui sont au coeur même de notre mandat.

* Aux termes du règlement anti-siphonage de la FCC, les films peuvent être montrés à la télévision payante seulement dans les trois premières années suivant leur présentation publique et après que dix ans se sont écoulés. Dans le cas des manifestations sportives, les événements qui passent à la télévision ordinaire ne peuvent être montrés à la télévision payante que cinq ans après qu'ils ont été supprimés de la télévision ordinaire. Cela a pour effet de protéger les droits des radiodiffuseurs ordinaires sur les principaux événements tels le baseball de la série mondiale et les manifestations semblables.

Tout compte fait, les coûts d'implantation de la télévision payante au Canada seraient presque certainement élevés, de sorte qu'il est peu probable que la télévision payante puisse contribuer beaucoup à la réalisation des objectifs de la Loi sur la radiodiffusion.

Quelques grands objectifs	Impact probable de la télévision payante	Contribution du canal de télévision payante
1. Développer une programmation variée et complète	Négatif	Cinéma et sports
2. Utiliser des ressources créatrices principalement canadiennes	Négatif	Américain à plus de 90%
3. Fournir des émissions aux normes élevées	Modeste	Possibilité très limitée
4. Offrir des occasions égales d'expression des vues différentes	Négatif	Se préoccupe surtout du divertissement de la masse

Quels seraient, d'autre part, les avantages possibles de la télévision payante? La notion d'avantage bien entendu prend divers sens selon les personnes et les différents groupements. D'aucuns ont prétendu par le passé et prétendront encore à l'avenir que tout ce qui accroît l'apport et le choix des émissions est, en soi, désirable et avantageux. D'autres font observer que cette attitude de laisser-faire quant au développement culturel provoque au Canada des répercussions bien différentes de ce qu'elles sont dans presque tout autre pays du monde. Nous sommes un petit pays, démographiquement, ayant pour voisin un puissant géant. Et beaucoup plus des deux tiers de notre population parlent la même langue que ce géant. Quelle différence avec la situation en Europe, en Asie ou en Afrique! On a dit que la diversité dans le choix peut beaucoup plus facilement se transformer en domination dans une situation comme celle où se trouve le Canada: il peut devenir de plus en plus difficile de faire entendre sa propre voix. A la longue, il n'y a pas de réponse facile à cet argument de la multiplicité des choix: c'est somme toute une question d'opinion. Et, au Canada, les opinions divergeantes ne manquent pas.

Pour ce qui la concerne, la Société Radio-Canada croit que le principal avantage de la télévision payante réside dans les profits qui pourraient servir à stimuler la production canadienne de films et d'émissions de télévision de qualité. Et elle estime que ces profits peuvent être importants. Si la télévision payante peut rapporter une recette brute de

\$60 millions, par exemple, les profits (déduction faite des coûts de programmation et de distribution) seraient de l'ordre de \$12 à \$20 millions, selon évidemment les hypothèses en matière de prix et de partage des revenus.²⁴

Il va de soi que des profits de cette ordre représenteraient des sommes importantes par rapport aux fonds à investir dans la production d'émissions canadiennes. Et des ressources additionnelles, comme la Société l'a souvent suggéré, sont indispensables au développement du genre de production d'émissions de télévision canadiennes qui nous permettrait mieux de fournir aux Canadiens le genre d'émissions qu'ils désirent et préfèrent regarder.

Advenant que la télévision payante s'implante au Canada, la recherche de cet avantage primordial, des profits pour stimuler la production canadienne, prendra donc une importance souveraine. C'est dans cette perspective que nous nous sommes penchés sur la question générale de savoir comment maximiser cet avantage de la télévision payante.

²⁴ Un chiffre brut de \$60 millions découlerait, par exemple, d'une mensualité de \$8 et d'un taux d'abonnement de 25% parmi les 2,4 millions de foyers anglophones câblés dans les principaux centres qui pourraient avoir à leur disposition la télévision payante d'ici, mettons, cinq ans. On trouvera des détails à l'Annexe III.

IV - ÉVALUATION DE LA POSSIBILITÉ DE MAXIMISER
LES AVANTAGES DE LA TÉLÉVISION PAYANTE

Nous dérogeons ici à la question critique de savoir s'il y a lieu d'implanter la télévision payante au Canada, pour chercher comment on pourrait mieux en maximiser les avantages, advenant son implantation.

Le ministre des Communications a proposé trois objectifs à la télévision payante :

1. Fournir toute une gamme d'émissions qui ne fassent pas double emploi avec celles qu'offre la télévision actuelle sans pour autant siphonner les émissions du système de radiodiffusion.
2. Fournir des émissions de grande qualité que les gens regarderont.
3. Produire les émissions en vue de pouvoir les vendre à l'étranger.

Ce sont là des objectifs utiles en même temps que rigoureux et nous allons examiner plus à fond comment on peut les atteindre. Toutefois, nous tenons pour acquis que le but fondamental et prédominant de la télévision canadienne, quelle qu'en soit la forme, est de produire plus d'émissions canadiennes que les Canadiens désireront regarder en plus grand nombre.

Nous avons soutenu que le principal avantage, pour le public, d'un service de télévision payante au Canada résiderait dans les bénéfices qui pourraient être affectés à la production de films et d'émissions de télévision canadiens. En évaluant la possibilité de maximiser cet avantage, nous nous sommes posé les quatre questions suivantes : A combien pourraient s'élever les bénéfices de la télévision payante? A quoi doivent servir ces bénéfices? Comment doit-on partager les bénéfices? Dans quoi doit-on les investir? Nous avons tiré quatre grandes conclusions:

1. Les bénéfices de la télévision payante peuvent être importants, à supposer que les décisions d'ordre économique soient prises en vue de maximiser les bénéfices prélevés à investir dans la production canadienne d'émissions, sous réserve de certaines restrictions anti-siphonage.

2. Les bénéfices de la télévision payante devraient être distribués à l'industrie de production de longs métrages et aux radiodiffuseurs canadiens, le gros de ces bénéfices allant aux radiodiffuseurs pour servir à inciter tous les Canadiens à regarder des émissions canadiennes.
3. Les bénéfices de la télévision payante devraient être répartis entre les radiodiffuseurs canadiens en fonction de leur succès à développer le contenu canadien des émissions.
4. Les radiodiffuseurs devraient consacrer leur part des bénéfices à développer la programmation canadienne.

Chaque conclusion fait l'objet d'une élaboration dans le reste du chapitre.

1. Les bénéfices de la télévision payante peuvent être importants, à supposer que les décisions d'ordre économique soient prises en vue de maximiser les bénéfices prélevés à investir dans la production canadienne d'émissions, sous réserve de certaines restrictions anti-siphonage. Si la télévision payante devait être adoptée au Canada, il conviendrait de l'orienter vers une maximisation des bénéfices qui serait consacrée à renforcer la production canadienne d'émissions. Le paradoxe de cette situation ne nous a pas échappé. En effet, il s'agit de maximiser les bénéfices pour permettre à la télévision canadienne de concurrencer les émissions américaines que la télévision payante diffusera chez nous. Mais quiconque veut examiner à fond les répercussions -- et plus particulièrement les répercussions financières -- de la télévision payante doit tenir compte de ce paradoxe. Nous avons donc examiné les aspects économiques de la télévision payante, les divers moyens d'en retirer des bénéfices et les contraintes imposées sur les bénéfices par la nécessité de réglementer le siphonage.

- a) Aspects économiques généraux : Les aspects économiques de la télévision payante -- revenus et coûts connexes -- continuent de donner lieu à bien des conjectures. Du côté revenu, l'incertitude plane sur les tarifs. Les renseignements, de provenance américaine surtout, donnent à croire qu'il existe plusieurs formules de tarification et que le nombre des abonnements dépend de multiples facteurs: implantation préalable de la télévision par câble, popularité des émissions, richesse relative du quartier, etc. Il semblerait que la dépense par foyer pour la télévision payante est à peu près la même, qu'elle soit tarifée au canal ou à l'émission. Ce fait, conjugué avec les autres avantages de la tarification au canal, a incité la plupart des entrepreneurs qui ont réussi aux Etats-Unis à adopter cette formule pour commencer. Quoi qu'il en soit, la tarification est chose fort complexe et doit être examinée de très près si l'on veut atteindre le principal objectif économique qui consiste à maximiser les bénéfices prélevés. (On trouvera à l'Annexe II les éléments de base d'une politique de tarification).

Pour notre analyse des perspectives économiques, nous avons d'abord examiné l'industrie américaine. A l'heure actuelle, l'abonnement moyen à la télévision payante aux Etats-Unis est d'environ \$8 par mois et la répartition des recettes brutes se présente généralement ainsi :

Répartition habituelle des recettes
brutes aux Etats-Unis

<u>Elément du système de télévision payante</u>	<u>\$</u>	<u>%</u>
Distributeur - entreprise de télé- distribution	3.52	44
Exploitant du réseau	.88	11
Producteur d'émissions	<u>3.60</u>	<u>45</u>
	8.00	100

Mais au Canada, la situation financière de la télévision payante peut être bien différente, à supposer que le service soit distribué par câble. Le câble a déjà pénétré dans 45% des foyers canadiens, contre 18% aux Etats-Unis. Et même si les frais d'établissement des entreprises de câble ont été élevés au départ, leur situation de remboursement a été très favorable au Canada. La marge d'exploitation de cette industrie dépasse les 50%, couvrant facilement l'amortissement des actifs et l'intérêt. Par ailleurs, des rapports élevés de dette/actions donnent lieu à un rendement généreux des actions (détails à l'Annexe I). En général, l'industrie canadienne du câble est parvenue à maturité dans la plupart des parties du pays, sinon toutes.

L'identification et la supputation des véritables coûts de la télévision payante exigent bien des précautions. L'essentiel est de ne pas confondre les frais du service de câble avec les frais supplémentaires de la télévision payante. Par exemple, certains systèmes doivent encore multiplier le nombre de leurs canaux, dépense qui peut et doit être recouvrée à même le revenu du service de base, télévision payante non comprise. Il n'appartient pas à la télévision payante d'assurer la rentabilité de l'industrie du câble ni le renouvellement de ses équipements de base.

Plus particulièrement, d'après notre analyse sommaire, les coûts supplémentaires que devra assumer l'entreprise de télédistribution se lançant dans la télévision payante semblent toutefois se situer aux environs de \$2.27 par abonné et par mois (Annexe III). Et si l'on suppose un rendement raisonnable, mettons de \$0.65 par

²⁰ Paul Kagan & Associates, New York - dans l'éventualité d'un service de la télévision tarifée au canal

abonné et par mois, sur l'investissement supplémentaire, la part du distributeur ou de l'entreprise de télédistribution serait de \$2.92 par mois ou 36.5% des recettes brutes pour un prix de vente de \$8. Il resterait donc 28.5% des recettes brutes pour l'industrie canadienne de la production d'émissions, soit bien plus que le niveau suggéré de 15%. Pour un prix de vente de \$10 par mois et par abonné, la proportion canadienne sera donc encore plus forte.

- b) Formules de prélèvement des bénéfices: Si l'organisme de télévision payante devait relever du secteur public, les bénéfices, bien entendu, seraient entièrement consacrés à la production d'émissions canadiennes, en vertu du mandat même de l'organisme. Si, au contraire, l'organisme devait relever du secteur privé, le prélèvement sur les bénéfices devrait s'opérer de façon différente. Pour ce qui est de la proportion des bénéfices à prélever, il y aurait deux façons de procéder: prélèvement d'un pourcentage -- 1) des revenus bruts sans tenir compte des coûts et dépenses ou 2) des bénéfices nets, compte tenu de ces frais. Nous optons pour la première formule -- prélèvement d'un pourcentage des revenus bruts --, ce pourcentage étant remis en question à intervalle régulier à la lumière des résultats financiers. Tout comme nous, d'autres, notamment le CRTC, ont proposé l'investissement dans la production canadienne d'émissions d'un pourcentage des revenus bruts de la télévision payante. Cela nous semble être la façon la plus simple de créer un fonds, même si la fixation du pourcentage risque de donner certainement lieu à bien des discussions. D'autre part, le prélèvement sur les revenus bruts semble présenter au moins un inconvénient, celui de ne pas se prêter à un prélèvement suffisant des bénéfices à mesure que les tarifs augmentent. L'autre formule, qui consiste à prélever un pourcentage des bénéfices, pourrait porter à laisser grossir les frais généraux et coûts indirects ou à adopter des pratiques comptables pour dissimuler les « véritables » bénéfices. Les deux formules ont été essayées au Royaume-Uni et ont donné des résultats assez divers, selon un mémoire récent soumis au comité Annan par l'Independent Broadcasting Authority (IBA).
- c) Contraintes anti-siphonage : Enfin, il convient de souligner de nouveau que la recherche des bénéfices par une quelconque entreprise de télévision payante doit être soumise à la contrainte d'une réglementation contre le siphonage. L'accord sur cette question est assez général. Dans le chapitre II, nous avons examiné à fond les risques de siphonage que présente la télévision payante et nous avons bien expliqué que notre opposition à ce siphonage ne repose pas tout bonnement sur notre désir de préserver Radio-Canada comme institution. Au contraire, elle se fonde sur le principe que le public canadien doit pouvoir accéder largement et librement aux émissions de télévision et aux talents

du Canada. Par définition, la télévision payante dessert la population qui est avantagée du côté géographique et financier, alors que les radiodiffuseurs desservent la population presque entière. C'est dans cette optique que nous soutenons que des mesures contre le siphonage s'imposent pour prévenir toute détérioration des émissions de télévision résultant du transfert, de la télévision gratuite à la télévision payante, des émissions les plus populaires. Sans contraintes, la télévision payante aurait tendance naturellement et inévitablement à rechercher les émissions très populaires et divertissantes qui sont tellement essentielles à la rentabilité des radiodiffuseurs ordinaires et qui doivent les compenser pour les émissions de teneur canadienne qui le plus souvent n'engendrent pas suffisamment de recettes publicitaires pour couvrir ce qu'elles coûtent, auxquelles s'ajoutent bien entendu des émissions qui s'adressent à un auditoire plus difficile.

Un exemple illustrera le genre de problème réel que nous prévoyons. Supposons qu'il faut diffuser une série de 8 matches de hockey Canada-Russie et que la télévision payante soit en concurrence avec la télévision classique pour les droits de télévision. Supposons maintenant que 625 000 abonnés (pénétration à 25% de 2.4. millions de foyers dotés du câble) sont disposés à payer \$4 par match pour voir la série. Supposons que la télévision payante consacre la moitié des recettes à financer les dépenses de programmation; il lui reste \$10 millions qu'elle peut offrir pour les droits, ce qui dépasse de beaucoup le montant que la télévision classique peut offrir sans déficit. Si donc la télévision payante obtient les droits, la plupart des Canadiens ne pourraient suivre la série.

2. Les bénéfices de la télévision payante devraient être distribués à l'industrie de production de longs métrages et aux radiodiffuseurs canadiens. le gros de ces bénéfices allant aux radiodiffuseurs pour servir à inciter tous les Canadiens à regarder des émissions canadiennes. Ainsi que nous l'avons dit, si la télévision payante était implantée au Canada, elle produirait probablement des bénéfices, de généreux bénéfices. Ces bénéfices pourraient être retenus par l'exploitant ou encore servir à stimuler la production canadienne des émissions. Nous avons préconisé cette dernière situation et nous croyons qu'il conviendrait que la part du lion de la somme affectée à cette fin -- mettons 75% -- devrait aller aux radiodiffuseurs canadiens. Nous fondons notre conclusion sur trois arguments.

Premièrement, on ne saurait douter qu'il faut plus d'argent pour raffermir la programmation canadienne de télévision. Cette opinion a été exposée et rappelée avec insistance ces dernières années. Le Conseil est très au courant des finances de la radiodiffusion au Canada. Mais certains exemples peuvent servir à illustrer la situation désavantageuse que doit affronter

la télévision canadienne en essayant de concurrencer les spectacles populaires américains qu'on peut suivre gratuitement en bien des endroits du Canada. La production des dramatiques et des spectacles de variétés comme « Kojak » et le « Carol Burnett Show » coûte de \$200 000 à \$250 000 l'heure, mais les frais sont compensés par les recettes publicitaires calculées en fonction d'une population nationale d'environ 200 millions. Au Canada, par contre, grâce aux bénéfices réalisés avec les émissions américaines et, dans le cas de Radio-Canada, avec l'apport des deniers publics, nous ne pouvons habituellement consacrer aux émissions dramatiques et de variétés qu'une moyenne de \$50 000 à \$60 000 l'heure. La différence dans les niveaux budgétaires se manifeste souvent à l'écran.

Rappelons encore qu'il n'existe pour ainsi dire pas au Canada de ressources financières pour le développement d'idées, de concepts et d'émissions pilotes, vu le manque presque total de capital spéculatif. Aux Etats-Unis, par contre, une comédie de situation est élaborée à partir de quarante à cinquante idées. Dix ou douze d'entre elles sont développées et on les soumet à des essais. On produit alors deux ou trois émissions pilotes et, si c'est réussi, la série prend l'antenne. Et il y a toujours la possibilité de non-renouvellement l'année suivante. Les réseaux et réalisateurs canadiens ne peuvent tout simplement pas se payer le luxe de ce procédé; il n'y a pas à s'étonner des résultats. La préférence marquée des téléspectateurs canadiens pour les émissions américaines de télévision n'a donc rien de surprenant.

Il n'y a pas lieu de s'étonner non plus que les réseaux américains puissent affecter de fortes sommes aux formules d'émissions plus populaires. L'accent que les Etats-Unis mettent sur les comédies, les émissions dramatiques légères et les émissions de variétés toutes dotées d'un budget élevé -- cependant qu'on investit très peu d'argent, relativement à l'effort de Radio-Canada, dans le théâtre sérieux et expérimental, les documentaires, les arts, etc. -- détourne inévitablement les Canadiens des spectacles canadiens de formule populaire mais à budget modeste.

Deuxièmement, l'acheminement des bénéfices de la télévision payante vers les radiodiffuseurs classiques augmenterait les chances d'atteindre l'objectif fondamental du système canadien de radio-diffusion -- celui d'inciter plus de Canadiens à regarder des émissions canadiennes. A l'heure actuelle, les résultats par rapport à cet objectif ne sont pas trop encourageants: ainsi que nous l'avons dit, les Canadiens anglophones regardent en moyenne les deux tiers du temps des émissions étrangères (surtout des Etats-Unis); les Canadiens francophones en regardent un peu moins de la moitié du temps. Et la proportion

du temps passé à regarder des émissions américaines est plus élevée dans bien des grandes villes, qui seraient les marchés où s'implanterait d'abord la télévision payante. En outre, toutes autres choses étant égales, la télévision payante réduirait presque à coup sûr le temps consacré à regarder des émissions canadiennes, surtout si la télévision tarifée au canal était introduite (Annexe IV). Il nous semble donc logique que, pour contrecarrer cette nouvelle fragmentation des auditoires, il convient de dépenser le gros des bénéfices de la télévision payante de façon à conserver l'écoute des émissions canadiennes.

Cet argument s'appuie sur le fait qu'une fois bien établie la télévision payante pourrait ne pas intéresser plus de 20% des foyers canadiens. Par contre, la télévision classique est à la disposition de tout le monde, ou peu s'en faut. Il est évident qu'il ne serait pas de bonne stratégie de transférer tous les bénéfices de la télévision payante à une production qui ne serait pas offerte à tous Canadiens. En effet, ceci ne contribuerait en rien à la réalisation de notre objectif qui est de maximiser l'écoute des émissions canadiennes par le public canadien.

Troisièmement, la programmation régulière de télévision exerce une plus grande influence sur les Canadiens que toute autre technique, même le film. La télévision est la technique la plus tentaculaire et la plus influente au Canada. Le Conseil sait bien que la télévision pénètre dans pratiquement tous les foyers canadiens, parfois au moyen de plus d'un récepteur. Et les Canadiens consacrent une bonne partie de leurs loisirs à regarder la télévision; des estimations courantes mentionnent plus de trois heures par jour par personne. Pour ce qui est de l'impact de la télévision, des études et les preuves circonstanciées démontrent que la télévision exerce une influence énorme qui façonne les valeurs, les attitudes et les perspectives des téléspectateurs. Aucun autre média n'a le même degré d'universalité et d'impact.

Bien entendu, certains vous diront que les bénéfices de la télévision payante devraient être consacrés entièrement à la production de longs métrages canadiens, de façon à accroître autant que possible la teneur canadienne de l'horaire de la télévision payante. Nous avons déjà dit pourquoi cette suggestion nous semble contestable. En effet, si le but de la Loi sur la radiodiffusion est de mettre des émissions canadiennes à la disposition du plus grand nombre de personnes, pourquoi consacrer la totalité des bénéfices de la télévision payante à des programmes qui ne seront vus -- tout au moins pendant un certain nombre d'années -- que par ceux qui ont les moyens de s'offrir la télévision payante?

Les répercussions sur l'auditoire soulèvent une autre question. C'est un fait que la plupart des Canadiens ne vont pas au cinéma. Une personne seulement sur trois fréquente les cinémas en moyenne quatre fois par an. Cela équivaut à deux jours d'écoute de la télévision par le Canadien moyen! Il est raisonnable de supposer que si les longs métrages peuvent être vus à domicile, la consommation augmenterait même sur la base d'une tarification à l'émission. Il n'en demeurerait pas moins que le temps passé à regarder les films resterait fort inférieur à celui consacré à la télévision de façon générale.

Il reste encore la question du nombre de films vendables que l'industrie cinématographique du Canada peut réaliser en une année. Les estimations varient de beaucoup, mais les plus optimistes prétendent que la quantité globale de longs métrages d'origine canadienne à la disposition de la télévision ne pourrait jamais égaler la quantité globale d'émissions canadiennes présentées par la télévision, ni encore le nombre de longs métrages d'origine américaine ou autre offerts sur le marché.

Voici donc les considérations qui motivent l'attribution de la part du lion des bénéfices de la télévision payante à l'ensemble de la programmation canadienne pour la télévision et non pas à la production cinématographique. Toutefois, nous ne prétendons pas aveuglement que tous les bénéfices de la télévision payante devraient être consacrés au développement et à la production d'émissions canadiennes pour la télévision. Selon nous, si la télévision payante doit s'implanter au Canada, elle devrait programmer le plus grand nombre possible de longs métrages canadiens. Pour ceci, il faudrait non seulement de nouveaux investissements dans l'industrie cinématographique, mais aussi voir à ce que ces fonds soient employés de façon à produire autant d'excellents longs métrages vendables que le pays est capable de produire.

C'est pourquoi nous proposons qu'une proportion raisonnable des bénéfices de la télévision payante -- mettons 25% -- soit canalisée vers l'industrie cinématographique par l'intermédiaire de la Société de développement de l'industrie cinématographique canadienne (SDICC). Actuellement, cette société dispose d'un budget d'environ \$3.5 millions et chaque dollar investi par elle attire de \$1 à \$2 de capitaux d'autre provenance. Vingt cinq pour cent des \$12 à 20 millions de bénéfices que la télévision payante pourrait produire donneraient de \$3 à \$5 millions, montant qui suffirait pour ainsi dire à doubler le budget actuel de la SDICC.

3. Les bénéfices de la télévision payante devraient être répartis entre les radiodiffuseurs canadiens en fonction de leur succès à développer le contenu canadien des émissions. Nous croyons que tous les radiodiffuseurs, publics et privés, doivent avoir une part des profits de la télévision payante pour le développement de leurs émissions canadiennes. Pourquoi? Parce que tous les radiodiffuseurs aurait probablement à souffrir de la fragmentation de l'auditoire qu'entraînerait l'implantation de la télévision payante. Et aucun radiodiffuseur, public ou privé, n'a assez de fonds pour en consacrer au développement d'émissions canadiennes.

D'aucuns peuvent invoquer que Radio-Canada n'a pas besoin d'argent supplémentaire puisque ce sont les deniers publics qui, dans l'ensemble, en assurent le financement, et à un degré élevé. Mais cet argument n'est pas aussi bien fondé qu'il puisse le paraître superficiellement. En fait, par rapport aux autres radiodiffuseurs, Radio-Canada ne dispose pas de fonds excessifs; bien au contraire, depuis quelque temps, nous répétons que Radio-Canada souffre d'un manque sérieux de finances, étant donné la portée et la diversité des services qu'on attend d'elle et l'intensité de la concurrence à laquelle elle doit faire face. Un exemple servira à illustrer la question.

En 1975-76, le budget du service de télévision de langue anglaise de Radio-Canada était d'environ \$125 millions. Selon nous, ce chiffre se compare avec les \$110 millions de recettes publicitaires de la CTV pendant la même période. Globalement, la différence entre les deux exploitations n'est pas considérable. Toutefois il y a des différences -- et de grosses -- entre les deux en ce qui concerne l'emploi qui a été fait de ces fonds. Il n'est pas possible de procéder à une comparaison détaillée des dépenses étant donné que les états financiers de la société CTV ne sont pas publiés. Nous pouvons dire cependant que les obligations et les engagements de Radio-Canada en matière de teneur canadienne dépassent de loin ceux de CTV. Pour commencer, on impose à Radio-Canada une teneur canadienne dépassant de 5 à 10% les 60% qui lui sont imposés. En termes plus précis, ceci veut dire que Radio-Canada offre aux Canadiens une teneur canadienne beaucoup plus élevée que CTV, notamment pendant les heures de pointe. Par exemple, durant une semaine normale de la période d'automne 1976, aux heures de pointe (de 19 h à 23 h), Radio-Canada offre 16 bonnes heures d'émissions de réseau canadiennes (65% de l'ensemble de la programmation réseau), alors que pour CTV les chiffres sont de 5 heures et demie (23%). Cela nous prend toutes nos ressources pour réaliser une teneur canadienne de cette envergure et nous souffrons d'un besoin très réel de fonds pour le développement de notre production.

Nous recommandons donc que les fonds mis de côté pour la production d'émissions canadiennes de télévision soient répartis en fonction du succès relatif des radiodiffuseurs canadiens à élaborer une programmation canadienne. La formule exacte de répartition des bénéfices mérite un examen attentif si l'on veut constituer une base qui fournirait aux radiodiffuseurs une motivation claire pour améliorer leur programmation canadienne et leur garantirait une récompense pour les émissions réussies, quel qu'en soit le genre. Bref, quelle que soit l'approche choisie, elle devra offrir une motivation judicieusement équilibrée pour encourager le développement des deux formes de programmation, la populaire (comédies de situation, variétés) et la recherchée (affaires publiques, théâtre sérieux, arts).

4. Les radiodiffuseurs devraient consacrer leur part des bénéfices à développer la programmation canadienne. Nous avons déjà démontré que la pénurie d'argent pour la programmation, plus particulièrement pour son développement, est le grand obstacle qui nuit aux radiodiffuseurs canadiens dans leurs efforts pour inciter plus de Canadiens à regarder plus d'émissions canadiennes de télévision. Vu cette pénurie de fonds à consacrer au

développement des émissions, nous croyons que les bénéfices de la télévision payante distribués aux radiodiffuseurs doivent être affectés au développement des émissions et non être enterrés dans le budget général de la programmation. Le rendement de cette stratégie pourrait être élevé.

L'approche américaine au développement des émissions de télévision indique pourquoi. Elle prévoit de consacrer de fortes sommes (capitaux spéculatifs) à la recherche d'idées et de concepts d'émissions. Ensuite un procédé très sélectif sert à identifier les émissions qui seront suivies. C'est ainsi qu'on aura de 40 à 50 idées qui aboutiront à 10 ou 15 émissions pilotes pour chaque série qui prend l'antenne. C'est là un modèle d'un procédé de développement élaboré qui a fait ses preuves. Ce procédé n'est pas possible au Canada actuellement. Les fonds de programmation canadienne sont si rares que presque tout doit être consacré à des émissions qui prendront l'antenne. Certains indices font croire qu'un procédé convenablement financé de développement des émissions serait profitable au Canada, comme cela a été le cas aux Etats-Unis. Radio-Canada et le réseau CTV ont tous deux remporté un certain succès pour leurs efforts limités de développement, si limités ces efforts aient-ils été faute de fonds suffisants. ("Ninety Minutes Live" est un exemple récent d'un effort de développement spécial et, pensons-nous, réussi).

Radio-Canada partage l'avis qu'un secteur fort et indépendant de production d'émissions serait un avantage réel pour l'ensemble du système de radiodiffusion et le secteur du film. Sans doute que certains mémoires présentés au Conseil sur la question de la télévision payante démontreront manifestement que la télévision payante peut être organisée et administrée de façon à exercer une grande influence sur le secteur indépendant de la production d'émissions. Nous souscrivons à cette proposition même si nous ne reconnaissons pas que la télévision payante, advenant son implantation au Canada, devrait établir sa propre capacité de production d'émissions.

Pour appuyer sa conviction qu'un secteur fort et indépendant de production d'émissions est un but souhaitable, la Société Radio-Canada est disposée à veiller à ce que sa part des bénéfices de la télévision payante soit dépensée en grande partie dans le secteur indépendant. Et nous croyons que les autres radiodiffuseurs peuvent être invités à prendre le même engagement.

V - MANIÈRE LA PLUS AVANTAGEUSE D'ORGANISER
LA TÉLÉVISION PAYANTE

Dans les chapitres précédents, nous avons vu ce que pourrait être la télévision payante au Canada, nous avons identifié certains gros risques qui accompagneraient son introduction et nous avons démontré que son principal avantage réside dans les bénéfices à en tirer. Nous avons également exposé pourquoi ces bénéfices devraient être employés au Canada pour stimuler la production télévisuelle et cinématographique et pourquoi le gros de ces ressources devrait être canalisé vers nos radiodiffuseurs et consacré au développement de leur production. Il découle de notre exposé que si le Canada décidait de créer un organisme de télévision payante, celui-ci devrait être structuré de façon à affecter le maximum de bénéfices à notre production télévisuelle. L'examen de la gamme des possibilités révèle que la télévision payante pourrait être organisée au Canada de trois façons différentes :

1. Entreprise privée ... avec affectation réglementée d'une part des bénéfices au développement de la production canadienne, tout en intéressant l'entreprise à maximiser ses bénéfices;
2. Société statutaire à régime mixte (créée en vertu d'une loi particulière) ... relevant à la fois de l'Etat et du secteur privé et dont les bénéfices seraient entièrement affectés au développement de la production canadienne, la maximisation de ces bénéfices faisant partie du mandat même de l'entreprise;
3. Régie d'Etat (société de la Couronne) ... entreprise d'Etat qui affecterait tous ses bénéfices au développement de la production télévisuelle au Canada, la maximisation des bénéfices faisant partie intégrante du mandat.

Il est évident qu'il y a beaucoup de similitude entre une régie d'Etat et une société statutaire (« mixte »). Les deux seraient établies en application d'une loi du Parlement du Canada et les deux seraient exploitées en vertu d'un mandat conféré par le Parlement. La principale différence entre les deux, superficiellement du moins, serait qu'une société statutaire

*Ce chapitre est consacré à la structure du réseau de télévision payante, c'est-à-dire à l'organisme qui préparera le service d'émissions -- acquisitions, montages, programmation -- et qui en assurera la distribution, soit par câble, soit par ondes hertziennes. Nous partageons l'opinion majoritaire qui penche vers le câble plutôt que vers les ondes hertziennes, les abonnés du câble étant nombreux et les canaux multiples alors que dans les grands centres les fréquences hertziennes sont fort encombrées. Il reste que l'une et l'autre méthode pourrait être utilisée et que, à la longue, elles le seraient peut-être toutes les deux. De toute manière, si la télévision payante devait être implantée, nous sommes d'avis que l'organisme responsable du réseau de télévision payante doit être distinct et indépendant des fournisseurs d'émissions et des systèmes de distribution.

comporterait la participation, au conseil d'administration, de représentants de l'industrie de la radiodiffusion, publique et privée ainsi que des représentants des producteurs de films et peut-être des sociétés de télé-distribution. Vu que Radio-Canada tiendrait cette représentation pour souhaitable, nous avons, dans notre mémoire, concentré notre attention sur les deux solutions : une société statutaire et une entreprise privée.

Nous nous bornons donc ici à l'examen des deux autres possibilités : entreprise privée et société statutaire à régime mixte.

1. Entreprise privée - Le CRTC pourrait accorder à une entreprise privée, organisme nécessairement distinct et dont les propriétaires seraient indépendants de ceux des éléments du système actuel de radiodiffusion, une licence qui l'autoriserait à exploiter la télévision payante au Canada, tout comme les licences qu'il accorde actuellement aux radiodiffuseurs et aux entreprises de câble. Parmi les conditions d'octroi de la licence (la liste que nous proposons ne prétend pas être exhaustive) on pourrait inclure :

Un prélèvement, sous forme de pourcentage fixe des abonnements bruts (25% par exemple), qui serait réparti (selon une formule) entre les producteurs de films et les radiodiffuseurs et affecté au développement d'émissions canadiennes. De cette façon, le but principal de la télévision payante au Canada serait « consacré » dans la licence même de l'exploitant.

Observation du règlement du CRTC concernant le siphonage (transvasement).

Il serait défendu aux radiodiffuseurs privés de se porter propriétaires ou administrateurs de cette entreprise privée, afin d'éviter tout conflit d'intérêts qui pourrait menacer les principes et pratiques d'exploitation de la télévision payante. Cette condition serait essentielle pour garantir une concurrence raisonnable entre radiodiffuseurs canadiens et pour empêcher quiconque d'exercer une influence prédominante.

Le tarif de distribution établi entre la télévision payante et les entreprises de câble (ou de télévision par abonnement) serait fixé de façon à fournir aux entreprises de câble (ou de télévision payante par ondes hertziennes) un bénéfice juste mais raisonnable, ce tarif devant être soumis à l'approbation du CRTC.

Comme dans toute entreprise privée, le conseil d'administration représenterait les actionnaires et, sous réserve des conditions proposées ci-dessus, aurait pour mission de maximiser les bénéfices.

L'entreprise privée présente des avantages évidents. Afin de maximiser ses bénéfices, elle chercherait à offrir un programme d'émissions qui saurait attirer le consommateur payant. Les actionnaires exigeraient une gestion efficace. Enfin, le prélèvement sur les recettes brutes permettrait d'accroître les fonds consacrés à la production télévisuelle du Canada à mesure que se répandrait la télévision payante. Les fonds seraient utilisés pour développer la production canadienne (ainsi qu'il est expliqué au chapitre IV).

Cependant les risques ne sont pas exclus. Nous estimons, en effet, que l'on risque gros qu'une entreprise privée soit plus portée à soulever des problèmes en matière de programmation canadienne et de siphonage de talents du fait que, par définition, les radiodiffuseurs ne peuvent avoir aucune part dans l'entreprise. Les risques que présente le siphonage ont été étudiés à fond dans le chapitre III. Malgré toutes les dispositions que l'on pourrait prendre pour empêcher le siphonage, nous estimons qu'il est inévitable qu'une entreprise privée et indépendante de télévision payante présente sur le plan du siphonage une menace pour le radiodiffuseur canadien.

Ajoutons qu'une telle entreprise privée jouirait d'un monopole. Il s'ensuit qu'elle serait moins animée de l'esprit de concurrence que l'on trouve habituellement dans le secteur privé. A cause de ceci, et et en partie à cause du prélèvement, les motifs qui la pousseraient à fournir un excellent service et un profit de haute qualité pourraient bien s'estomper au point où l'argument en faveur de l'exploitant privé pourrait être sensiblement infirmé. En outre, faute d'une réglementation rigoureuse et d'une publication intégrale des résultats financiers d'une entreprise privée, la télévision payante et l'entreprise de câble pourraient réaliser des bénéfices démesurés, tout en réduisant à un chiffre tout à fait insuffisant les versements aux producteurs canadiens d'émissions. La raison d'être de la radiodiffusion payante serait ainsi complètement déjouée.

Si l'on devait avoir recours, en fin de compte, à l'entreprise privée, nous proposerions que, dans l'optique de sa situation de monopole, la télévision payante et les entreprises de câble publient des états détaillés de leurs résultats financiers. Ainsi, si les bénéfices devenaient excessifs, les consommateurs pourraient réclamer une réduction de prix les radiodiffuseurs pourraient demander une augmentation du prélèvement sur les revenus bruts au profit du fonds consacré à la production d'émissions canadiennes, et le CRTC serait en mesure de formuler les règlements et les directives voulus.

2. Société statutaire. Une société statutaire à régime mixte, gérée par un conseil d'administration comprenant des représentants des secteurs public et privé, aurait pour mandat d'orienter son exploitation en vue de verser tous ses bénéfices dans le fonds consacré au développement de la

production canadienne. Il lui faudrait un petit effectif, doué d'un fort esprit d'entreprise, pour acquérir, monter et mettre à l'horaire son programme d'émissions et pour assurer sa distribution par les entreprises de câble (ou de diffusion par ondes hertziennes).

En principe, une telle société ressemblerait à l'organisme qui a conçu et promu la loterie olympique et a ensuite eu recours au secteur privé pour la distribution et la vente au détail des billets. Dans les deux cas, les bénéfices sont consacrés à des besoins particuliers. Dans le cas de la télévision payante, tout bénéfice serait versé directement dans un fonds affecté à la production canadienne et distribué selon le genre de formule proposé au chapitre III.

Le conseil d'administration pourrait représenter les divers groupes qui ont un intérêt direct dans la télévision payante:

Les fiduciaires représentant le secteur public pourraient être en majorité, ce qui serait un moyen pratique d'assurer l'orientation générale voulue : optimisation des bénéfices au profit du développement de la production télévisuelle du Canada. Parmi les membres d'office, on pourrait nommer des représentants de Radio-Canada, des organismes connexes et, peut-être même, d'autres personnes, hommes publics ou particuliers.

Les radiodiffuseurs des secteurs privé et public devraient également occuper une place prédominante au conseil d'administration de façon à assurer que les activités de la télévision payante n'entrent pas en concurrence ou en conflit avec celles des radiodiffuseurs dans l'exercice de leurs obligations en vertu de la Loi sur la radiodiffusion; ils auraient aussi pour mission d'offrir des conseils au sujet des programmes.

L'industrie cinématographique serait représentée, peut-être même à titre de membre d'office, par la Société de développement de l'industrie cinématographique canadienne qui défendrait ses intérêts (vu, surtout, que nous avons suggéré que 25% des bénéfices soient consacrés à cette industrie par l'intermédiaire de cet organisme).

Les entreprises de câble auraient également siège au conseil d'administration en vue des investissements importants qu'ils auraient à faire pour assurer la distribution de la télévision payante et pour leur permettre de faire connaître leurs vues en matière d'émissions.

A titre d'exemple, le conseil d'une entreprise statutaire de télévision payante pourrait être composé de la manière suivante :

Radiodiffuseurs

Autres

Conseil d'administration (membres)	
Secteur public	Secteur privé
R.-C. (3)	CTV (2) ACR (1)
Décret (2) SDICC (1)	ACTC (1)

Après avoir considéré ces deux solutions, nous avons conclu qu'à tout prendre, une société statutaire est la meilleure des deux solutions pour la télévision payante. Nous pensons qu'elle serait plus apte à produire un rendement maximal en faveur du développement de la production télévisuelle par les radiodiffuseurs du Canada et de la production cinématographique par le SDICC. Nous pensons que la voie optimale consiste à produire des bénéfices, tout en surveillant de près les répercussions des activités de la télévision payante sur le système de la radiodiffusion canadienne. La réalisation de ce but, selon nous, exigera de la part du conseil d'administration de la télévision payante une attention soutenue et judicieuse, de façon à ce que l'exploitation de la télévision payante puisse servir au mieux les intérêts du public canadien. Nous estimons que pour ceci une entreprise statutaire offrirait les meilleures chances de réussite.

VI - CONCLUSIONS GÉNÉRALES

Nos cinq premiers chapitres ont été consacrés à l'examen en profondeur des conséquences qui pourraient découler de l'implantation de la télévision payante au Canada. Le premier chapitre expose le contexte de notre étude : objectifs de la Loi sur la radiodiffusion et aptitude du système de la radiodiffusion canadienne à les réaliser. Dans le chapitre II, nous avons tenté de préciser ce que serait un service de télévision payante dans le contexte canadien, et nous avons conclu qu'il était à peu près certain que, pour réussir dans notre pays, elle devrait inévitablement accorder la plus large place aux longs métrages et aux émissions sportives d'origine américaine. Nous jugeons peu réaliste tout autre concept de la télévision payante et ce serait nous leurrer que d'espérer qu'elle puisse prendre une voie plus altruiste. Il va sans dire que la teneur canadienne de la télévision payante serait fort modeste, d'abord à cause du petit nombre de longs métrages que l'on peut raisonnablement attendre de l'industrie cinématographique du Canada et, ensuite, du fait qu'il faudra formuler des règlements contre le siphonage pour garantir à tout Canadien, même à ceux qui pour des raisons géographiques ou financières ne peuvent s'abonner à la télévision payante, l'accès aux principales émissions et aux principaux talents du pays.

Dans le chapitre III, nous avons conclu qu'il en coûterait cher d'implanter la télévision payante au Canada. En effet, ces coûts doivent tenir compte du contrecoup de cette télévision sur l'aptitude du système de la radiodiffusion canadienne à réaliser les objectifs de la Loi sur la radiodiffusion et plus particulièrement sur son aptitude à diriger l'écoute canadienne vers les émissions canadiennes. De façon générale, il semble certain que les répercussions de cette télévision iraient à l'encontre du système de la radiodiffusion canadienne et des objectifs qu'il est censé atteindre, en provoquant la fragmentation des auditoires, en réduisant l'écoute des émissions canadiennes et en posant de gros risques de siphonage. Nous avons conclu en outre que ces effets nuisibles seraient plus graves avec une tarification au canal au lieu d'une tarification à l'émission.

Par le passé, la plupart des analyses de la télévision payante -- y compris les mémoires officiels soumis par Radio-Canada -- se sont arrêtées là et elles ont conclu, ce qui nous paraît justifié, que l'implantation de cette télévision au Canada ne servirait pas les intérêts de l'ensemble du système de la radiodiffusion canadienne. En effet, de façon générale, les faits et les opinions ont voulu qu'un service canadien de télévision payante ne contribuerait pas à la réalisation des buts et objectifs de notre système de radiodiffusion. Au contraire, il semblait que cette télévision y présenterait un obstacle sérieux et certain.

Dans la présente analyse, nous avons franchi plusieurs nouvelles étapes, afin de voir si les répercussions négatives de la télévision payante ne pouvaient être compensées en partie en maximisant les avantages financiers

qu'elle offre. Il convenait donc d'examiner à nouveau et de façon objective le mode d'exploitation d'une télévision payante. D'autre part, le libellé d'un récent communiqué du Conseil concernant la télévision payante laisse entendre qu'il cherche à sonder l'opinion non pas tellement sur la question de savoir si oui ou non la télévision payante doit être implantée au Canada, mais plutôt sur la façon de l'organiser et de l'exploiter. Dans cette optique, laissant de côté notre conclusion négative, nous avons poursuivi notre analyse en évaluant d'abord les possibilités de maximisation des bénéfices de la télévision payante et ensuite en comparant les diverses structures qu'elle pourrait adopter.

C'est ainsi que dans le chapitre IV nous avons examiné la question des bénéfices de la télévision payante : à combien se monteraient-ils? que faudrait-il en faire? comment les répartir entre les ayants droit? à quoi les consacrer? En gros, nous avons conclu que ces bénéfices pourraient être élevés à condition d'établir avec soin et les tarifs et la formule de répartition de façon à réaliser un maximum de bénéfices à consacrer à la production canadienne d'émissions. Ensuite, nous avons jugé qu'il ne fallait absolument pas consacrer ces bénéfices à la production pour la télévision payante en tant que telle. Au contraire, nous recommandons que le gros des bénéfices (quelque 60%) soit attribué aux radiodiffuseurs pour le développement d'émissions canadiennes pour la télévision « gratuite ». La répartition de ces bénéfices entre les radiodiffuseurs se ferait, selon nous, selon une formule fondée sur leurs réalisations en matière de teneur canadienne. Le solde des bénéfices (25%) serait réparti par l'entremise de la SDICC de façon à stimuler la production de longs métrages au Canada. Il nous a semblé enfin que les bénéfices ainsi distribués aux radiodiffuseurs devraient être consacrés tout particulièrement à des activités de développement et non pas servir à grossir tout bonnement le budget général des émissions.

Enfin, dans le chapitre V, nous avons étudié les diverses formes que pourrait prendre la télévision payante si elle devait être implantée au Canada, et nous avons conclu qu'une entreprise statutaire alliant les intérêts public et privé serait la meilleure solution, étant donné que notre objectif fondamental est d'affecter les bénéfices de cette télévision au développement de la production au Canada d'émissions et de longs métrages.

Ce travail d'analyse étant fait, nous reprenons la question fondamentale posée dans le chapitre I concernant le lien entre la télévision payante et les objectifs de la Loi de 1968 sur la radiodiffusion. En effet, cette loi propose, tant au système de la radiodiffusion canadienne qu'au service national de radiodiffusion (Radio-Canada), un certain nombre d'objectifs connexes. Pris dans leur ensemble, ces objectifs non seulement fixent le cadre dans lequel les éléments public et privé du système de radiodiffusion doivent fonctionner mais ils leur imposent également une orientation, une voie à suivre. Il s'ensuit que c'est dans la mesure où le système de la radiodiffusion canadienne a su réaliser les objectifs proposés par la Loi sur la radiodiffusion qu'il convient de juger son activité.

Il s'ensuit également que toute modification que l'on se propose d'apporter au système de radiodiffusion doit être évaluée dans l'optique de sa contribution au système de la radiodiffusion canadienne et de son aptitude de réaliser les objectifs de son mandat. Il s'agit, selon nous, d'un principe absolument fondamental. Nous avons donc tenté d'envisager la télévision payante dans cette optique. Ceci fait, nous en sommes arrivés à une conclusion générale bien nette, à savoir qu'il y a fort peu de chances pour que la télévision payante puisse contribuer de façon positive à la réalisation des objectifs de la Loi sur la radiodiffusion. Bien au contraire, nous sommes d'avis que l'introduction au Canada de la télévision payante se solderait par des résultats négatifs.

Il reste que certains jugent comme « inévitable » l'introduction de la télévision payante au Canada. Il se peut qu'il en soit ainsi. Mais ne perdons pas de vue que les Canadiens ont su maintes et maintes fois faire face à « l'inévitable ». Parce qu'ils ont si souvent su prévenir, modifier ou adapter ce qui paraissait inévitable, le Canada et ses institutions sociales, culturelles, économiques et politiques sont fort différentes aujourd'hui de ce qu'elles auraient pu être. C'est pourquoi les Canadiens sont fort capables de s'opposer de façon délibérée et systématique à toute une gamme d'impératifs et de forces qui, sans opposition, auraient inévitablement orienté le destin du pays dans des voies qui n'auraient pas toujours servi notre intérêt public et nos objectifs nationaux.

Nous estimons que la télévision payante pose un nouveau défi à notre tourmenté système de radiodiffusion canadienne. Etant donné l'importance de la question et des problèmes qu'elle paraît soulever, nous proposons au Conseil de tenir des séances publiques pour examiner plus à fond ces questions et ces problèmes. Par le passé, la discussion publique de tout aspect des questions qui se posaient à la radiodiffusion canadienne a été un élément caractéristique de la mise au point d'une politique. Des séances publiques sur la télévision payante serviraient de tribune pour la soumission et la discussion de l'éventail complet des opinions sur la télévision payante, afin que les avantages et l'inévitabilité de cette télévision puissent être explorés à fond. Nous jugeons que c'est ainsi qu'il convient de procéder.

LES FINANCES DE L'INDUSTRIE DU CÂBLE

Les fortes marges d'exploitation
suffisent largement à couvrir
les amortissements et les intérêts

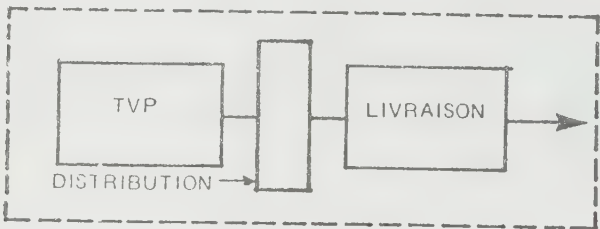
Et le rapport obligations/actions
favorise un gros rendement aux
actionnaires

Statistiques de l'industrie du câble - 1974			Rendement sur le capital avant impôt*	Rendement sur le capital action avant impôt*	
	%	%	%	%	
Revenus		100	Industrie du câble	13,1	31,1
Dépenses			Industrie en général	13,6	20,7
- Emissions	3,5		Communications	8,2	17,8
- Technique	20,0		Industrie chimique	17,5	23,9
- Ventes	5,1		Industrie métallique primaire	10,5	17,0
- Administration	<u>20,6</u>	<u>49,2</u>	Extraction minière	14,7	20,4
Marge		50,8			
- Amortissements	20,3				
- Intérêts	8,3				
- Autre	<u>,3</u>	<u>28,8</u>			
Bénéfices avant impôt		22,0			

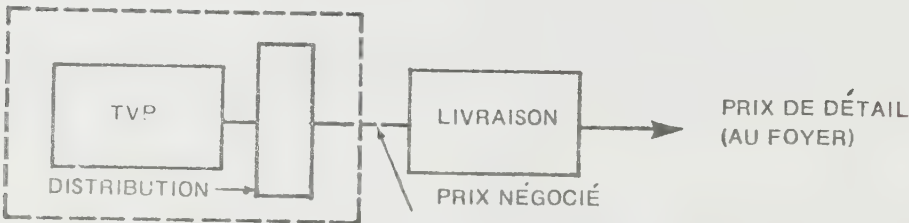
^xSource : 1973 Statistique Canada N° de cat. 61-003

LA FIXATION DU TARIF ET LE PARTAGE DES REVENUS PEUVENT SE FAIRE SELON DIFFÉRENTES FORMULES *

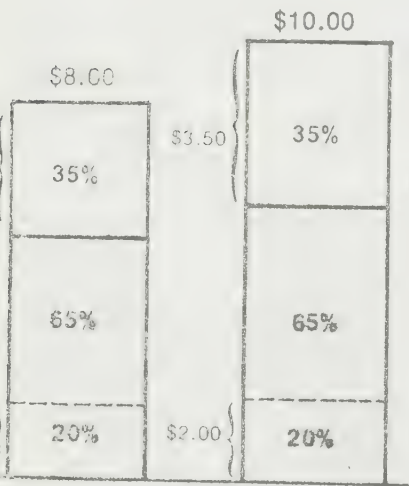
1. PRIX D'ENSEMBLE UNIQUE



2. PAR ÉTAPES – PLUSIEURS PRIX

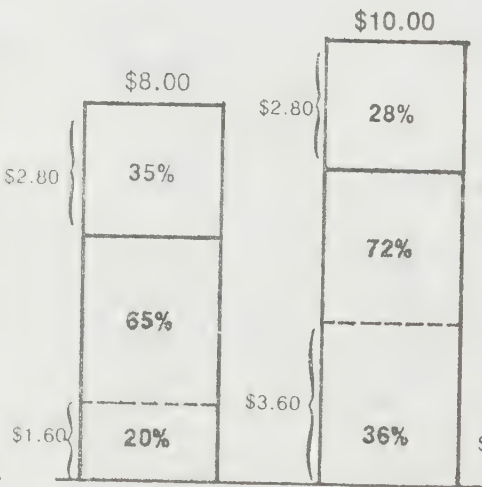


1. POURCENTAGES FIXES



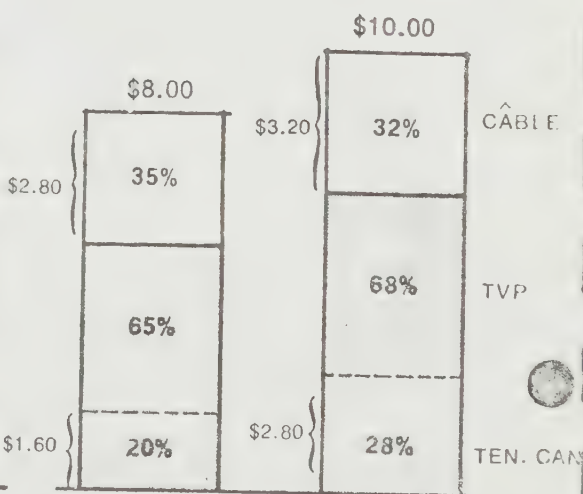
EQUITÉ SOMMAIRE

2. INVESTISSEMENT MAXIMAL DANS LA PRODUCTION CANADIENNE



• VISE SURTOUT LE PREMIER OBJECTIF

3. ÉCHELLE MOBILE



• INTÉRESSEMENT RAISONNABLE

NOTA: Purement à titre d'exemple la formule de partage des revenus serait différente (voir l'Annexe III).

DISTRIBUTEUR PAR CÂBLE
ANALYSE FINANCIÈRE

HYPOTHÈSES SUR LA BASE D'UNE TARIFICATION AU CANAL^{xx}

A. Abonnements

(I) Nombre possible d'abonnés à la télévision payante

- Au début, seul les abonnés au câble dans les grands centres
- Deux millions de foyers-câble (de langue anglaise seulement) dans ces centres, avec accroissement annuel de 5%

(II) Pénétration

- 15% avant le lancement, soit la moyenne de l'année I
- ensuite 5% par an avec maximum de 30% en quatre ans

(III) Tarif hebdomadaire - \$8 par abonné.

B. Frais d'équipement

(I) Brouilleurs :

- Emploi de débrouilleurs moins coûteux que les filtres bouchons et peuvent être utilisés pour plusieurs canaux
- Amortissement des débrouilleurs sur cinq ans selon le système linéaire
- Coût des brouilleurs $\$4\,500 \times 34 \text{ systèmes}^{xxx} = \$153\,000$
- Coût d'un débrouilleur installé \$60

(II) Frais de vente

- Frais de vente de \$12 par abonné couverts par les \$12 de frais d'installation

^{xx} La tarification au canal a servi de base à cette annexe, cette formule étant celle qui jusqu'ici a été la plus souvent présentée et analysée. Toutefois, le choix pourrait fort bien porter sur la tarification à l'émission, moins menaçante pour les radiodiffuseurs. De toute façon, la formule de base de l'analyse est à peu près la même dans les deux cas.

^{xxx} Principaux centres seulement.

(III) Equipement de diffusion

- 34 systèmes x \$30 000 = \$1 020 000^{xx}

Chaque exploitant d'un système de câble doit acquérir deux magnétoscopes SONY 2850 et un correcteur de base de temps, le tout au prix d'environ \$30 000. Pour commencer, il sera plus rentable d'expédier les rubans à la tête du système de câble car, aux tarifs actuels, le coût par abonné de distribution par satellite est trop élevé (voir le Tableau II). D'ailleurs, dès 1978, la transmission directe à la tête du système de câble par satellite sera possible grâce à Anik 4 d'une puissance du 12 gigahertz, ce qui éliminera la nécessité du recours à de coûteuses stations terrestres.

C. Frais d'exploitation

(I) Administration

Coût/par abonné/par an^{xxx}

- Facturation et encaissement	\$1
Mauvaises créances	\$1
Plaintes, téléphone	\$1
Comptabilité, contentieux, frais généraux	\$1
Exploitation - terminal	<u>\$2</u>
	\$6

(II) Débranchements

- Débranchements 1½% par mois, soit 18% par an
- Frais de débranchement \$15
- Coût par abonné par an - $0.18 \times \$15 = \2.70
- Coût par abonné par mois - $2.70 \div 12 = \$0.23$

(III) Horaires des émissions

- \$0.25 par abonné par mois, soit \$3 par abonné par an

(IV) Publicité

- Première année \$700 000 pour tout le Canada
- Années suivantes \$600 000 pour tout le Canada
- Année normale \$0.06 par abonné par mois

^x Principaux centres seulement

^{xxx} Pay Television-Opportunities, Challenges and Approach, Canadian Cablesystems Ltd., Premier Cablevision Ltd., Rogers Cable TV Ltd., 16 mai 1975.

(V) Pertes

Frais de débrouilleurs en cas de déménagements, etc. 5%
par an

Disons amortir de moitié, soit \$30.

(VI) Intérêts

- Provenance du capital : obligations 50% actions 50%
- Intérêts à 12% l'an

Besoins annuels de capitaux (en milliers de dollars)

	I	II	III	IV	V
Brouilleurs	153				
Débrouilleurs	18 000	7 200	7 850	8 640	2 040
Equipement de diffusion	1 000				
TOTAL	19 153	7 200	7 850	8 640	2 040
CUMULATIF	19 153	25 353	34 213	42 853	44 893

D. Bénéfices

- Un rendement de 25% sur le capital avant intérêts et impôts dans une année « d'exploitation normale »^{**} est considéré comme raisonnable vu les risques que prend le distributeur
- Rapport obligations/actions 50%
- Mise de fond maximale \$44 893 000
- L'amortissement de l'actif net, soit du capital mis en l'oeuvre pendant une année d'exploitation « normale », est supposé avoir atteint 50%, soit \$22 447 000
- A 25%, le rendement sur le capital pour une année d'exploitation « normale » = $0.25 \times \$22\,477\,000 = \$5\,619\,250$

^{**} Pour les besoins de la présente analyse, est considérée comme année « normale » l'année V; le service ayant été lancé depuis cinq ans, « l'industrie » aurait acquis une certaine importance et un certain degré de maturité.

E. Pourcentage du revenu brut d'une année d'exploitation « normale »

Abonnés au câble	2 431 000	
% d'abonnés branchés	30%	
Abonnés télévision payante	729 000	
Revenus bruts à \$8	\$69 984 000	
Frais d'exploitation* moins intérêts mais avant amortisse- ment	\$19 301 000	
Rendement sur le capital avant intérêts et impôts	\$ 5 619 250	
Coûts et bénéfice	\$24 920 250	
Coûts et bénéfice	24 920 250	=
Revenus bruts	69 984 000	35.6%

Ainsi, le distributeur aura besoin de 36,0% de ses revenus bruts (à \$8 par mois d'abonnement) pour obtenir un rendement de 25% sur le capital investi, avant impôts, durant une année d'exploitation « normale ».

F. Points sensibles

L'amortissement des équipements de brouillage représente le plus gros des frais d'exploitation. Il s'agit donc d'une variable pouvant créer un écart important dans nos prévisions. Par exemple, si les débrouilleurs dans les foyers ont une vie moyenne de 7 ans au lieu de 5, ceci augmenterait de beaucoup le rendement du distributeur (les bénéfices avant impôts passeraient de \$3.2 à \$5.7 millions de dollars, une augmentation de 70%).

De même, si le CRTC permet au distributeur d'amortir ses équipements de brouillage en 4 ans au lieu de 5, tout en autorisant un rendement de 25% sur le capital avant intérêts et impôts, la part du revenu brut allant au distributeur passerait de 36 à 39%.

Il s'ensuit que si l'industrie canadienne de production d'émissions doit recevoir sa « part équitable », le rendement allant aux exploitants de systèmes de câble doit demeurer à un niveau normal. Les taux d'amortissement devront donc être surveillés de près.

* Voir la ventilation dans le tableau suivant

ÉTAT QUINQUENNAL D'EXPLOITATION DES DISTRIBUTEURS
(C.-à-d. DES SOCIÉTÉS DE CÂBLE)
(EN MILLIERS DE DOLLARS)

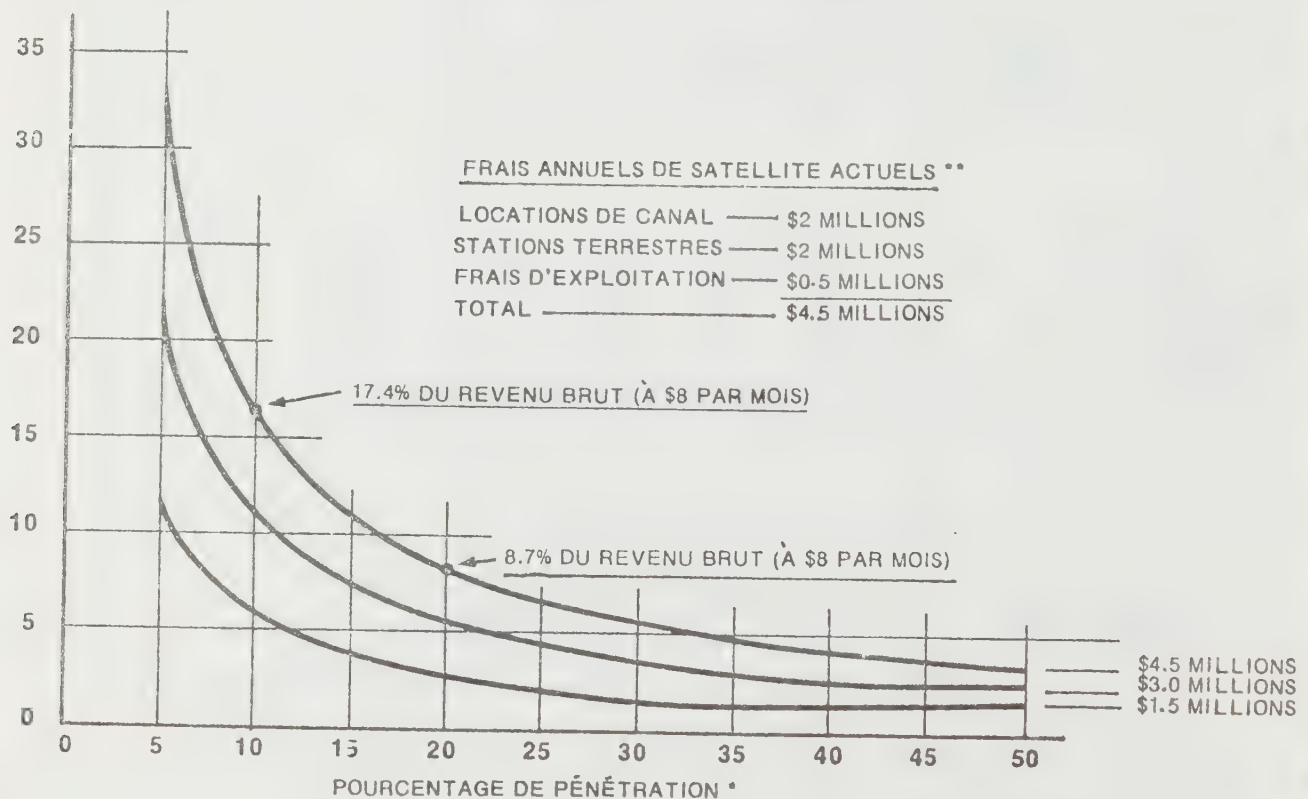
	I	II	III	IV	Année d'exploitation normale	
					V	Coût mensuel d'abonnement
<u>A. Revenus</u>						
Abonnés au câble (croissance 5%)	2 000	2 100	2 205	2 315	2 431	
% de pénétration	10%	15%	20%	25%	25%	
Abonnés à la télévision payante	200	315	441	579	608	
Revenus \$	19 200	30 240	42 336	55 584	58 368	(8.00)
Part du distributeur (36,5% des recettes bruts)	7 008	11 038	15 452	20 288	21 316	(2.92)
<u>B. Coûts</u>						
Amortissements	2 631	4 011	5 351	7 191	7 551	(1.03)
Administration	1 200	1 890	2 646	3 474	3 648	(.50)
Débranchements	360	567	794	1 042	1 094	(.15)
Publicité	700	600	600	600	600	(.08)
Emissions	600	945	1 323	1 737	1 824	(.25)
Intérêts	658	1 003	1 383	1 798	1 880	(.26)
Coût global d'exploitation	6 149	9 016	12 097	15 842	16 597	(2.27)
<u>C. Bénéfices avant impôts</u>	859	2 023	3 355	4 446	4 719	(.65)

Annexe III
Tableau 2

AUX TARIFS ACTUELS DE TRANSMISSION PAR SATELLITE, LE COÛT PAR ABONNÉ DURANT LES PREMIÈRES ANNÉES SEMBLE TROP ÉLEVÉ.

COÛT ANNUEL PAR
ABONNÉ EN DOLLARS

FRAIS DE SATELLITE PAR ABONNÉ
SELON LE TAUX DE PÉNÉTRATION



* FONDÉ SUR 2.7 MILLIONS DE FOYERS ABONNÉS AU CÂBLE

** ESTIMATIONS TRÈS SOMMAIRES

COMPARAISON DES CONSÉQUENCES DE LA TENEUR
CANADIENNE PAR RAPPORT AUX PRINCIPAUX
OBJECTIFS DE LA RADIODIFFUSION

Principaux objectifs	Teneur canadienne Télévision payante	Teneur canadienne Radiodiffuseurs actuels
Fournir sans double emploi un vaste éventail d'émissions	Douteux	Possibilité
Empêcher le siphonage	Risques	Aucun risque
Fournir des émissions de haute qualité qui attirent l'écoute	Effet marginal	Bonnes chances
Fournir des émissions qui se vendront à l'étranger	Incertain	Incertain
Augmentation de l'écoute d'émissions canadiennes par les Canadiens	Effet marginal	Plus apte
Parmi les principaux buts de la Loi sur la radiodiffusion : - Programmation variée - Programmation de haute qualité - Emploi de ressources canadiennes - Servir les intérêts régionaux	Doubteux Effet marginal Un certain apport Incertain	Contribue Bonnes possibilités Un certain apport Quelques possibilités

70 Oakwood Avenue South,
MISSISSAUGA, Ontario.
L5G 3L5

September 21, 1976.

Mr. H. Boyle, Chairman,
and
Members of CRTC Commission,
Canadian Radio Television Commission,
Government of Canada,
Room 1401,
Berger Building,
100 Metcalfe Street,
OTTAWA, Ontario.
K1A 0C8

Received - Reçu
Executive Assistant's Office
Bureau du Chef de Cabinet

SEP 28 1976

C. R. T. C. - Ottawa

COMMENT
COMMENTAIRE

33

Dear Sirs:

Tel-Apart had several meetings with the CRTC in the latter part of 1976 re our Community TV. At the second meeting it was suggested by a member of the Commission that we research Pay TV. This was suggested to us because we were in the process of doing an experiment in Pay TV for the A.D. Little Company at the time of our involuntary closing.

In my opinion the enclosed brief would be the most satisfactory way for Pay TV to be presented to the Canadian People.

I hope this meets with your approval.

Yours very truly,

Eileen J. Chaplin
(Mrs.) Eileen J. Chaplin.

c.c. Mr. Vaughan,
Secretary.

SUBMISSION TO: THE CANADIAN RADIO TELEVISION COMMISSION

SUBJECT: LICENSE FOR PAY TELEVISION

SUBMITTED BY: MRS. EILEEN J. CHAPLIN,
60 OAKWOOD AVENUE SOUTH,
MISSISSAUGA, ONTARIO. L5G 3L5

The Canadian Broadcast System is perhaps one of the finest in the world and financially sound as well.

The CRTC created Cable monopolies are financially sound as well.

The only member of the Broadcast System that is in serious financial circumstances and even in jeopardy of surviving is the Production. Perhaps if PAY TV is used wisely we may improve it's (Production) health as well.

Unfortunately the CRTC has made my Company and me insolvent, so the only involvement I will be able to have in PAY TV is to make suggestions that may be beneficial to the Production People and the Canadian People.

On the other hand if the COMMISSION looks at these suggestions favourably, perhaps the COMMISSION will allow me to form a Company in which all forms of communication as well as the Canadian population would be able to participate in, on a financial basis.

(Cont.)

IN OUR RESEARCH WE HAVE FOUND:

1. Pay TV will use a minimum of 104 movies a year;
2. Canadian PAY TV has 5 years before the U.S. counterpart will be in the position of having a larger audience and again Canadian viewers will be at the mercy of their (U.S.) whims as to the types of programming they will have to view;
3. Although Community Colleges are training people in the TV Arts, there is no place for them to gain the experience that they require;
4. If PAY TV is delivered by Cable Companies, the COMMISSION is again forcing the CANADIAN PEOPLE to purchase a service that it may not want to be supplied with, to receive PAY TV;
5. People who do not have Cable in their area will be deprived of PAY TV;
6. Along with Cable Costs and PAY TV costs, the people that need the entertainment of PAY TV most, will not be able to afford the cost;

(Cont.)

7. PAY TV delivered by Cable would be a piecemeal service and would not have the quality control that PAY TV could give, if done as a unit.

THESE ARE THE GUIDELINES THAT I FEEL SHOULD BE ESTABLISHED FOR THE COMPANY THAT IS GIVEN THE HONOUR OF SERVING THE CANADIAN PEOPLE WITH PAY TV.

1. DOUBLE MOVIES - A United States produced movie and a Canadian produced movie; each running for about 90 minutes;
2. CANADIAN PRODUCED PROGRAMMES FOR CHILDREN - To be viewed on Saturday and Sunday afternoons;
3. No interference with programmes used by Broadcasters;
4. ESTABLISH FOUR NON-PROFIT TV STUDIO SCHOOLS - The STUDIO SCHOOLS would produce TV MOVIES and develop expertise in the TV MOVIE field;
5. Ask ALL the COMMUNICATION MEDIA to join this venture on a financial basis as well with their expertise.

TO EXPAND ON THESE SUGGESTIONS:

1. DOUBLE MOVIES - Unfortunately the CANADIAN POPULATION will not pay to see CANADIAN MOVIES. By playing a DOUBLE BILL (A UNITED STATES PRODUCED AND A CANADIAN PRODUCED MOVIE), two purposes will be served.

- (a) PAY TV will have 50% CANADIAN content.
- (b) CANADIAN WATCHERS will be educated to watch good CANADIAN productions.

(Cont.)

2. CHILDREN'S PROGRAMMES -

- (a) By showing CHILDREN'S PROGRAMMES ON SATURDAY AND SUNDAY, we could develop CHILDREN'S PROGRAMMES that are more relivant to the CANADIAN CULTURE;
- (b) The younger generation would have PROGRAMMES that were not interrupted by COMMERCIALS;
- (c) These Programmes could be exported as well.

3. PAY TV is another form of entertainment and should not encroach on the BROADCAST TYPE of programming for viewing and whenever possible it should develop TV programmes at a reasonable rate through their STUDIO SCHOOLS for the BROADCASTERS.

4. BY ESTABLISHING AND FINANCING FOUR NON-PROFIT SCHOOLS WE WILL:

- (a) Produce the 104 MOVIE to give 50% CANADIAN content;
- (b) Develop the talents needed in all fields of TV Movie making;
- (c) THE STUDIO SCHOOLS should be established in four separate areas of the country; Western Provinces, Ontario, Quebec and the Eastern Provinces. This will assist in the economy of the different areas and help develop types of the different culture in these areas, that we are so fortunate to possess;
- (d) One of the STUDIO SCHOOLS should be developed to teach DUBBING. The MOVIES should be shown in ENGLISH and FRENCH across the country, giving the viewers a choice of language. This will also give the COMPANY a product to export to other countries. The STUDIO SCHOOL could provide this service to movie makers in other countries as well.

(Cont.)

- (e) The parent COMPANY would finance the STUDIO SCHOOLS and own the PAY TV MOVIES made by the STUDIO SCHOOLS. A percentage of the profit made on export and sales should be set aside and paid to all the people who participate in that school production;
- (f) The COMPANY should have an exchange of PERSONNEL and FACILITIES between the FOUR STUDIO SCHOOLS and the AMERICAN MOVIE COMPANY contracted to make the movies for CANADIAN PAY TV, with an agreement that the STUDIO SCHOOLS may learn from their (U.S.) expertise;
- (g) Producers, Directors, Writers, Actors, etc. who want to participate in this venture will become teachers in the STUDIO SCHOOL, providing them with a secure financial base to pursue their individual careers;
- (h) Production People who become affiliated with the STUDIO SCHOOLS should have the use of the STUDIO SCHOOL'S facilities to produce movies of their own, on a share basis;
- (i) THE STUDIO SCHOOLS would offer a 4 to 5 year paid apprenticeship, so that young people would have financial security while learning.

5. The most ECONOMICAL service that the COMPANY could provide for the VIEWER would be to RENT the CARRING LINE from the CANADIAN TELEPHONE COMPANY. Not only would this provide a CHEAPER and more EQUABLE SERVICE but the TELEPHONE COMPANIES could do the billing and collecting for the service along with their monthly bill. This will leave the Parent PAY TV COMPANY free for research in the industry and to concentrate on selling to BROADCASTERS and for export sales.

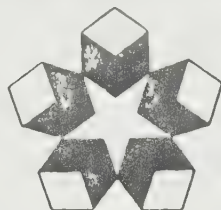
6. In using the TELEPHONE COMPANIES as the CARRIERS, it would leave the Existing Channels on REGULAR TV for the BROADCASTERS and LEAVE PAY TV CARRING SERVICE for not only PAY TV but for the more important services that will be coming in the near future.

(Cont.)

7. Questionnaires should be sent out yearly to Viewers, asking their preference in types of movies they want to view. It amazes me that the production of movies are made for the taste of the people who produce them instead of the paying community. We researched 65,000 people in 1970, living in apartment complexes, asking their preference in movies. We found that the Viewers were not always getting the type of movie that they enjoy.

TO REVIEW:

1. PAY TV SHOULD BE SEPARATE FROM THE BROADCAST AND CABLE COMPANIES.
2. A NATIONAL COMPANY WHOSE FUNCTIONS ARE THREEFOLD:
 - (a) DEVELOP NON-PROFIT STUDIO SCHOOLS;
 - (b) RESEARCH THE INDUSTRY;
 - (c) SELL THE CANADIAN PRODUCT DEVELOPED BY THE STUDIO SCHOOLS.
3. A joint effort with all Communications Companies joining to make the project successful.
4. The establishment of a PAY TV MOVIE COMPANY of this type would give the CANADIAN PEOPLE and the COMPANIES in the COMMUNICATION business an opportunity to participate in the development of a NEW CANADIAN INDUSTRY that could be beneficial to the development of the CANADIAN CULTURE and the ECONOMY of the COUNTRY.



972-2/1
P. 1

tel-pro entertainments

September 28, 1976

Mr. Guy Levfbre
Secretary General
Canadian Radio-television and
Telecommunications Commission
100 Metcalfe Street
Ottawa, Ontario
K1A 0N2

COMMENT
COMMENTAIRE

34

Dear Mr. Levfbre:

RE: PRESENTATION TO THE CRTC REGARDING PAY TELEVISION IN CANADA - September, 1976

I personally know many of the members of the CRTC, but perhaps it would be wise to preface my submission by saying that I have been a producer-director-writer since 1947, working in radio, stage, television, commercials, industrial shows, film and videotape, both here (I was a contract producer with CBC Toronto for over 10 years) and in the United States. I have produced-directed or written over 1250 shows for CBC/NBC/ABC/CBS, etc. etc. I was hired by Premier Cablevision four years ago to contribute to a submission they were making on behalf of a Pay TV experiment in Vancouver. That revived my interest in the subject that began with the Etobicoke experiment. Since that time I have travelled widely in the United States getting to know the systems and the people. I know the subject, he said modestly.

Received by - Reçu par
SECRETARIAT

SEP 29 1976

C. R. T. C.

.... 2

tel-pro entertainments

Pay Television is inevitable.

In the past months, especially since Madame Sauve's announcement in June, there has been much discussion within the industry. There is a great deal of confusion, all directly traceable to the suddenness of the situation. As a result, it is predictable that many groups and individuals will urge slow movement forward, or even a pure, stop-wait-and-see attitude.

This is wrong and will cost Canadians the chance to take advantage of a major opportunity which exists NOW.

Canada, because of the penetration of cable into 3,000,000 homes, is going to be a major Pay TV market, and either we begin now to supply those programs, or we will find ourselves again in the position of international buyers rather than as international sellers.

Right now in the United States Pay TV is an infant because of the low per capita penetration of cable, but over the air Pay TV is emerging and with it is coming the awakening of the programming giants -- Fox, Columbia, etc. They are now talking about original programming for Pay, not just release of feature films. The market in the U.S. is now close to one million homes. The Stanford Research Institute study for the U.S. Office of Telecommunications predicts 15 million Pay TV homes by 1985, with revenues of close to TWO BILLION DOLLARS a year. By that time, with that size lure, the programmers of theatres and TV networks in the U.S. will be up to full steam servicing the needs.

Canada today could move out to claim a part of that international market provided the legislation from the CRTC and the government comes to maximize and encourage Canadian production in all areas, film and videotape, features, television, private and government markets.

tel-pro entertainments

Right now, in my opinion, the industry in Canada is on its knees. Too long the resources for program production have been exclusively in the hands of the CBC, CTV and the NFB, and perhaps even the CFDC.

The latter group, usually with no commercial savvy whatever, has been encouraging development along fruitless lines. Its requirements are too restrictive, and thereby it is doomed to be what it is ... useless, at least in the commercial international market in which we hope to move. So, in priorities, we must move to improve the production capacity of the country, both creatively and technically.

There are serious gaps in our knowledge.

We cannot remain within our borders, fearful of intruders (no matter how famous, how skillful) and wait for box-office lightning to strike. We must be ready to teach others, and to learn from them. I see in other countries sophistications that we lack. We continue to refuse help in the belief that we can do it alone.

My personal belief is that we should move immediately to put in place a Pay Television Network, jointly owned by broadcasters and cable operators BUT PROGRAMMED BY CREATIVE PEOPLE who will deliver programs that people want to see.

The disconnect problem is a very real one in Pay, and the first seven months have proved to be the most critical. If Pay TV falters in year one it will take a long time to recover. Growing pains will not be tolerated.

The network should be national, cable systems should be required to take those programs, but they should have the freedom to add regional attractions.

Pay TV and the theatrical market are destined to become deeply tied together. Therefore I think it logical to support production of feature films for theatres with revenues from both media. I wholeheartedly agree with the idea of a five percent levy of gross box-office receipts, and the 15 percent of gross pay television receipts. But I would add to that a two to three percent levy of cable system grosses.

tel-pro entertainments

I think it important here to say that it is my belief that Pay TV is not a film medium but an electronic one. Technological changes of the next few years will make this increasingly the case. Pay TV is currently an outlet for feature films because that is all there is in the way of supply. Television was like that at the beginning ... we saw hours and hours of film, off the shelf, done for other reasons. But the "event" aspect of Pay TV, as well as the need for a volume of product, will logically favour the electronic production method.

I do not believe that the "siphoning" concerns are real. Commercial broadcasters have chosen, for rating reasons, to program within a narrow range of choices. Also, Pay TV is an extra, not an instead of, and as long as the Pay channel is programmed with a limited number of programs per week, repeatedly shown, I do not see a real danger to the in-place broadcaster. U.S. habits have shown that viewers check to find out what is on "conventional television," make their weekly plans, and then watch the Pay channel during arid periods (for them).

Pay TV will not be magically new.

It will have to be commercial, but it will also have to serve specific audiences. The commercial networks operate on the basis that if 51% of the audience wants drivel then 100% of the audience gets drivel. That other 49% is able to be served, and in a volume that makes it all financially feasible, on Pay TV.

I may be very unpopular in such militant offices as ACTRA, and the Council of Canadian Filmmakers, but I truly believe that Canada does not have enough talent to provide the necessary volume of program production without opening up our borders to talent of any nationality.

People who pay for television directly, with hard dollars, should get what they want. If that is 100 percent Canadian, then great. But we all know it won't be.

tel-pro entertainments

I once threw a "for instance" at the top executive at ACTRA when I said, "Suppose my rich uncle died and left me \$100,000,000 on the condition I begin by producing 52 major pictures per year here and I came to ACTRA and said 'help me'." After the first three productions were cast 100 percent Canadian, and we found ourselves faltering, I wanted to know what they would say about the closed border that they have encouraged. I wanted to know if they would open the border or tell me to move my production elsewhere, to some other country. In any vote at any open ACTRA meeting attended by working and non-working members, the answer would logically have to be stay. The result would be virtually 100 percent employment of the available talent as well as a real chance to sell programs to a waiting world.

But we must demand equal opportunities for Canadian talent in the U.S.

To date, Canada is an international secret when it comes to television export sales.

Al Johnson seems ready to change that, and I applaud him. But Pay TV can do it faster and better. The coming generation of big TV screens, improved sound, etc. make Pay TV an even better bet.

On the subject of quotas, I do not believe that it is in the long range interest of the production industry to REQUIRE that Famous Players or Odeon make available screen time for Canadian productions. They should do it voluntarily because the pictures are good. But, the marketplace should also be free of any quotas, even those that encourage major blocks of time to, for instance, Paramount productions because of the involvement of Gulf-Western in the Famous Players ownership.

Pay Television in Canada will not be the same as Pay TV in the U.S. today, or perhaps ever, so we must resist looking to the American experiences for guidance.

But Pay TV is inevitable, and we should move quickly to initiate it, and the industries which will serve it.

tel-pro entertainments

I don't believe that the existing broadcasters or film makers have enough production capacity today to accommodate the needs of the producers, so I see need for more hardware in the not too distant future.

On location, videotape production is the wave of the future. Cameras the size of a cereal box are now in development and they will also house the videotape recording capacity and the microphone. And, direct satellite to home delivery of programs is a distinct possibility.

The future is moving quickly toward us, requiring decisions and movement.

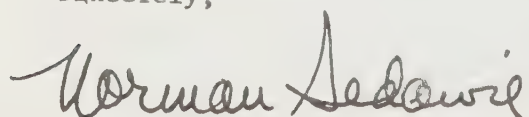
Pay TV should be approved, quickly.

The inevitable changes that will come from it should heal the wounds of the industry in Canada if the government carefully and wisely guides the new shaping.

Basically, CTV and a second national commercial network fed by Global, should, I believe, have sole task of serving the commercial advertiser. The CBC, after a reorganization that directs more dollars to the programming level, should pursue information shows. Pay Television, along with the theatrical outlets, should pursue the major productions that require million dollar budgets.

More money needs to be directed to the private sector, money that is now available. The private sector is much more efficient than the CBC and the NFB, and both organizations acknowledge it. With that money, the private production groups can proliferate and by their very competitiveness bring to the marketplace better ideas, popular ideas, the kinds of ideas that Al Johnson wants, the kind of ideas the public wants. Good ideas, programs that people want to watch.

Sincerely,



Norman Sedawie
President

tel-pro entertainments

POSTSCRIPT:

I would also like to comment on the joint submission of the AFM, ACTRA, CAEA, and the CLC on the subject of Pay TV.

Naturally, it should be expected that any document submitted by such a weighty group should itself be weighty. It is not. It is filled with misunderstanding, paranoia, and alternating cries of "we don't know enough about it" or "we're against it." They document none of their opinions, and frankly I suspect that most of the timidity and hostility comes from ACTRA. In dealings with AFM I have found them realistic. In dealings with ACTRA I have found them more concerned about the dollar today than with the long range welfare of its members or the industry itself. They seem fearful of change and unwilling to face realities of a changing world.

If we are going to build a healthy industry here we are going to require long range thinking based on real circumstances, not the Never-Never Land that ACTRA favours.



ELECTROHOME

ELECTROHOME Limited
809 Wellington Street North.
Kitchener, Ontario,
Canada N2G 4J6
Telephone (519) 744 7111
Telex 069 5449

September 28, 1976

COMMENT
COMMENTAIRE

35

Mr. Guy Le Febvre
Secretary General
Canadian Radio Television Commission
100 Metcalfe Street
Ottawa, Ontario K1A 0N2

RE: PAY TELEVISION

Dear Mr. Le Febvre:

This is in response to the Commission's June 30, 1976,
invitation to interested parties to comment on Pay Television
Policy in Canada.

As a Canadian owned company, Electrohome is sympathetic to
the Minister's objectives of achieving Canadian production of
program material. We assume that the Minister is also
cognizant of the opportunity to secondary manufacturing in
Canada that mass production of Pay Television "hardware"
would imply.

Electrohome has, for the past two years, been engaged under
contract to Decoder Systems Development of Edmonton, Alberta
to engineer a Pay Television System known as PTV-3. In this
system, of which you may be aware, coded picture and sound
information is broadcast either off-air or on cable, with a
decoding "box" at each receiving location. Individual per-
program selection and payment is afforded in this system.
In Electrohome's view, this system provides the technology
needed to achieve the Minister's policy objectives.

Our progress with the development of this system has now
reached the point where a quantity of encoder and decoder
prototypes have been built, with sufficient over-the-air
testing to establish the viability of the technology for
this purpose.

The per-program over-the-air capability of PTV-3 makes it
suitable also for Pay Television uses in the United States.

Continued:

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Pay (FV)

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SEP 30 1976
G. R. J. E.

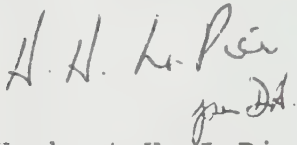
Mr. Guy Le Febvre

September 28, 1976

Electrohome's position is that hardware for any Pay TV format for Canada should, if the capability exists, be manufactured in Canada. The PTV-3 system, for example, would provide employment in secondary manufacturing and engineering for hundreds of Canadians. A strong possibility of export of similar equipment to the U.S. also exists.

Considering Canada's balance of payments, unemployment, and depressed secondary manufacturing industry, we submit that consideration of opportunities for Canadians should extend beyond consideration of production of program material to encompass the entire economic opportunity afforded by leadership in Pay Television.

Yours very truly,

Handwritten signature of H. H. LaPier in cursive script.

Herbert H. LaPier
Group General Manager
Electronics and Service Divisions

C.R.T.C.

TELEX REC'D

SEP 30 1976

COMMENT
COMMENTAIRE

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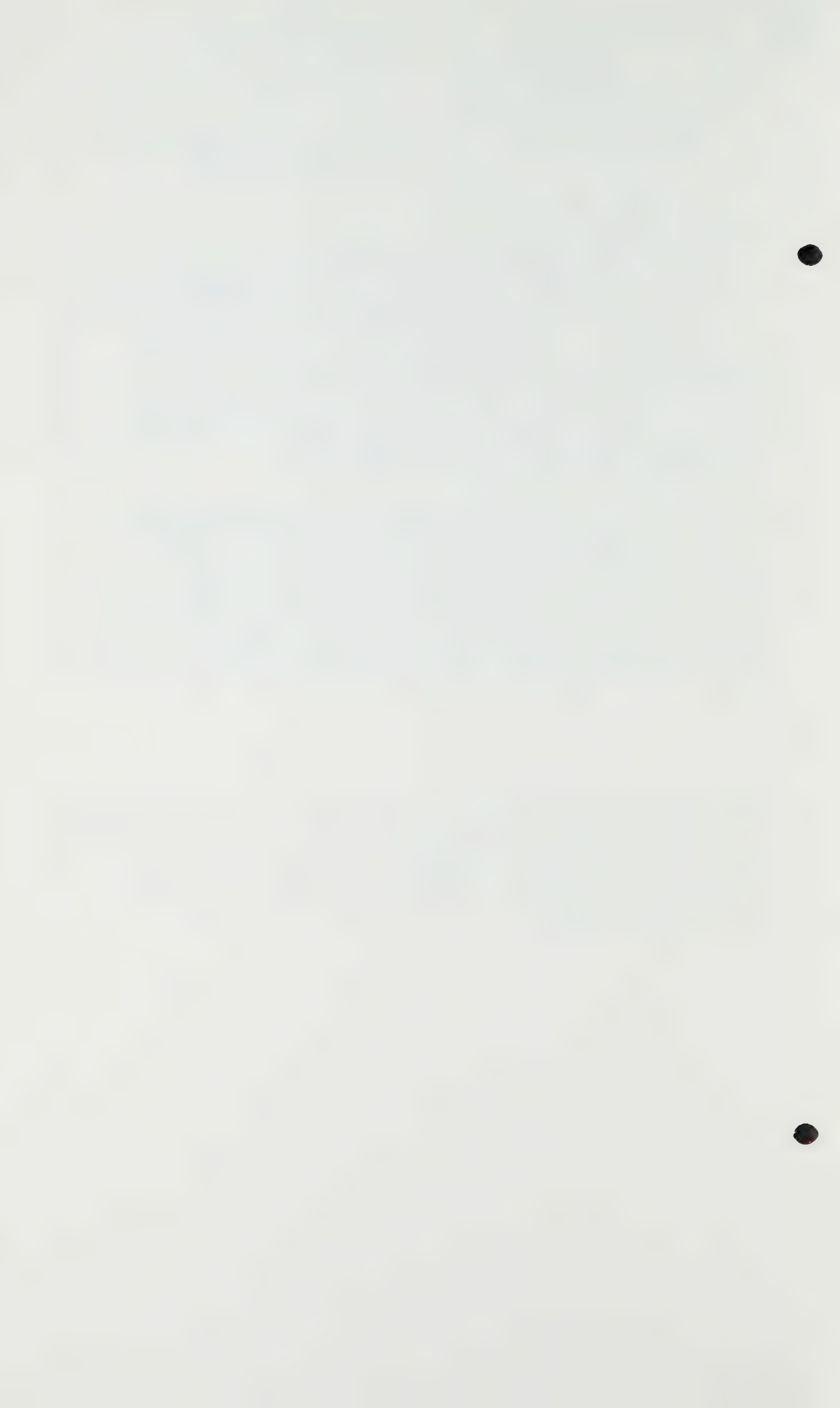
THE SECRETARY CDN RADIO TELEVISION COMMISSION

100 METCALFE ST OTTAWA ONT

BT

THE ASSOCIATION OF TELEVISION PRODUCERS AND DIRECTORS (TORONTO) IS INITIALLY CONCERNED ABOUT PAY TV IN CANADA. THE INTRODUCTION OF PAY TV WOULD INEVITABLY HAVE FAR REACHING IMPLICATIONS FOR PUBLIC BROADCASTING AND THE ENTIRE CANADIAN BROADCASTING SYSTEM AS ESTABLISHED BY THE BROADCASTING ACT. THIS ISSUE DESERVES, IN DEEP DEMANDS FULL AND OPEN PUBLIC DISCUSSION AND CAREFUL CONSIDERATION. AS TELEVISION PRODUCERS IN THE PUBLIC SECTOR WE ARE PROFESSIONALLY RESPONSIBLE FOR THE DEVELOPMENT OF CANADIAN TALENT, FOR CANADIAN PROGRAM PRODUCTION AND FOR THE DISSIMINATION OF TELEVISION PROGRAMS BOTH IN CANADA AND ABROAD, ALL OF WHICH WOULD BE RADICALLY EFFECTED

BY THE INTRODUCTION OF PAY TV. THE ASSOCIATION OF TELEVISION PRODUCERS AND DIRECTORS (TORONTO) RESPECTFULLY REQUEST AN OPPORTUNITY, IN AN APPROPRIATE FORM OF PUBLIC HEARINGS TO PRESENT ITS VIEWS ON PAY TV. THIS ASSOCIATION PRESENTED IT VIEWS TO THE COMMISSION AT THE 1974 HEARINGS TO CONSIDER THE RENEWAL OF THE CBC BROADCASTING LICENSE. WE LOOK FORWARD, ONCE AGAIN, TO APPEARING BEFORE THE COMMISSION TO PARTICIPATE IN THIS IMPORTANT PUBLIC DEBATE
DODI ROBB PRESIDENT.





CANADIAN FILM AND TELEVISION ASSOCIATION

972-21
Pay (TV)



ASSOCIATION CANADIENNE DE CINÉMA - TÉLÉVISION

SUITE 512, 55 YORK STREET, TORONTO, ONTARIO M5J 1S2 — (416) 363-8374

29 September 1976

REGISTERED MAIL

Mr. Guy Léfèbvre, Secretary General
Canadian Radio-television and
Telecommunications Commission
100 Metcalfe Street
Ottawa, Canada K1A 0N2

COMMENT
COMMENTAIRE

37

Dear Mr. Léfèbvre:

In accordance with the Honourable Jeanne Sauve's request (your bulletin dated June 30, 1976 and supplementary bulletin dated August 10, 1976) we have pleasure in enclosing six (6) copies of a brief setting out the views and suggestions of this Association.

We commend this brief to your attention and assure you that we shall be glad to do our best, if requested, to provide additional information or answer any questions which the Commission may wish to ask.

Yours faithfully

Frank Young
Executive Secretary
encls.

Formerly the AMPPLC - 1948 to 1974

PAY-TV

"Pay Television Must Develop Canadian Production"

'The introduction of pay-TV into Canada must be used to develop a truly Canadian production industry. We cannot lose this opportunity.'

**— *The Honourable Jeanne Sauv ,*
*June 1976***

A Statement to the

**CANADIAN RADIO-TELEVISION AND
TELECOMMUNICATIONS COMMISSION**

By the

**CANADIAN FILM AND TELEVISION
ASSOCIATION**

**Toronto, Ontario
September, 1976**

TO THE CANADIAN RADIO-TELEVISION AND
TELECOMMUNICATIONS COMMISSION:

THE CANADIAN FILM AND TELEVISION ASSOCIATION

proposes that:

- pay-TV should be licensed in Canada under regulations which require its entire content to be Canadian.

- payment should be on a pay-per-play basis.

- there should be separation between hardware (equipment) and software (programming) authorities.

- software marketing should be by a private corporation with a federal government monopoly, such corporation to market programmes with supply and demand as the only controlling discipline, fostering an entrepreneurial system free of subsidies and free of government, foreign or advertiser influence.

-

Such a pay-TV system would give Canadian producers access to the Canadian audience in the Canadian marketplace for the first time.

...and now the details

HERE IS OUR REASONING:

1) WE MUST NOT WASTE THIS CHANCE

Canada has waited a long time for the opportunity to design a major medium to her own specifications. It will not, in the foreseeable future, get another.

Canada's ambitions for her media were clearly expressed in the Aird, Massey, Fowler, and O'Leary reports but something stopped earlier media from realizing their promise. Pay-TV is a new medium. It is beginning now. Its operating system need follow no precedents, bow to no vested interests, be influenced by no other country's model. It is free of inherited or accumulated restraints. This time Canada's politicians, regulators, intellectuals, and entrepreneurs can establish ground rules that will make it possible for a Canadian medium to perform properly, at last.

2) THERE IS NO HURRY

This is the first new medium to appear since Canadian arts, industry, and business became sufficiently mature to take advantage.

When earlier 20th century media appeared -- the cinema, radio, television -- Canadians were not in a position to take the opportunities offered. We had not developed enough creative and production talent to make a significant impact in any new medium. However, consumer demand (fired by activity in the U.S.) was so intense that we could not wait to develop such talents. Instead, we introduced the media knowing they would be dominated at first by U.S. content but presuming that their owners would look favorably on Canadian production when it became available. This did not happen; and Canada has struggled ever since to lever a significant quantity of Canadian expression into broadcasting and movie

theatre systems. That struggle has involved ever more cumbersome regulations and legislation, and has been largely futile. Canada cannot wait or hope any longer for its media owners to have a change of heart.

This time all the circumstances are different. Consumer demand for pay-television is not intense, so there is no need to compromise, nor to start off on the wrong foot. Pay-television in Canada should be launched only after we have all debated and decided and agreed on suitable business, cultural, and economic terms that will be as relevant tomorrow as today. For the first time, a new medium can be shaped from its beginning to present Canada to Canadians.

Of all people, Canadian independent producers are most keen to see pay-television get under way. We have more to contribute to it and to gain from it than anyone else. We see it as our chance, at last, to get our films and programmes into the marketplace to be judged, accepted, or rejected by Canadians. We are eager to lay our business and creative talents (and our money) on the entrepreneurial line. So we are not proposing delay for its own sake.

But, we would rather wait longer than see this special chance wasted through rushed, faulty decision-making. The creation of a two-way communication system linking almost every Canadian home has ramifications that dwarf its entertainment content. In the past, Royal Commissions have been created to sift through matters as complex as this, in search of Canadians' real interests. We suggest that it warrants the fullest research and consideration.

In deciding both the hardware and the ground rules for Canadian pay-TV, the system's continuing evolution must also be kept firmly in view. Eventually pay-TV will let viewers see the shows they want at the time that suits them. Over-the-

airwaves pay-TV remains a possibility too. Canada must not license massive hardware installations today if they cannot adapt to the likely requirements of tomorrow.

3) THE ONLY SYSTEM WORTH INTRODUCING IS PAY-PER-PLAY

A "subscription" system of pay-television (with the viewer paying a flat monthly fee) is merely an extension of existing systems. It may seem different in that it does not rely on advertising revenues; but nor do today's educational channels. It may seem different in that it does not rely on government funding; but nor do today's commercial channels. Agreed, a subscription channel's programs would have to remain attractive so that viewers will continue to subscribe; but even that is not much different from today's cable systems where some viewers decide to pay extra monthly fees to bring in additional channels.

A subscription system of pay-TV will bring to Canadian media a quantitative change only. Cable viewers who are already paying monthly fees to receive a certain number of channels will be asked to pay still more to receive still more. Some will pay, some won't pay; and any new revenue generated will be once again diluted before it finds its way through to Canadian producers.

A subscription system (as Honourable Jeanne Sauve pointed out on June 2) inherits commercial television's built-in prejudice against minority programming. People who pay a flat rate to receive an additional channel will not be happy when it carries material of no interest to them. With subscription pay-TV, lowest common denominator programming will curse us yet again.

A pay-per-play system, while unable to guarantee revenues, has vastly greater potential earning power. More important, it establishes a direct marketplace link between product and revenue. Producers who

offer popular shows will receive the benefits; those who create box office duds will pay the price. It offers immediate identification of what works and what doesn't. Shows produced to meet those marketplace demands at home are also the shows most likely to meet export success. These are the straight-forward market chances to which Canadian producers are surely entitled.

Pay-per-play offers maximum flexibility. The producer and the pay-TV Agency can vary the "ticket price" to suit the perceived appeal of every show. Ethnic and minority appeal programmes can find their place provided only that enough people (and it may not need many) will pay to see them to cover the costs of transmission. Such minority appeal shows will cause no viewer irritation because those not interested will simply not pay to see them.

Under pay-per-play people could take education courses in off-peak hours. Programmes of short films by young or experimental film-makers might be packaged and offered for a few pennies per home. All such shows will help spread transmission overheads.

Only trial-and-error will reveal what attractions will tempt people to pay to see. However the relentless verdict of pay-per-play ensures that the trials are immediate and the errors quickly discovered. Pay-TV possibilities include rounded evening-length programs; conventional feature films; sporting and special events; and, surely, entirely new types of entertainment to be devised and packaged for the new medium.

For independent producers pay-per-play television is the true marketplace they have long awaited which, until now, has been denied them by a combination of technological, historical, and political circumstances.

4) ALL PAY-TELEVISION ATTRACTIONS MUST BE
CANADIAN

Canada needs no additional outlets for foreign entertainment. Existing theatres and broadcasting systems are already devoted to bringing Canadians the best of the world's popular culture. There is no point in creating a massive new system simply to bring us more of the same. That's why pay-TV must offer Canadian attractions only.

The flexibility of a pay-per-play system makes such an all-Canadian policy feasible. At first there will not be very many Canadian attractions available. That will not matter. Those that are available can be repeated for as long as enough people are prepared to pay to see them. When not enough people are paying and there's nothing else to offer, the pay-television channel can stay black. This need not be seen as any great drawback. Movie theatres don't stay open 24 hours a day and North America is probably the only TV community in the world where broadcasters feel they must stay on the air for extended hours regardless of quality. No one will be deprived of anything if pay-TV broadcasts only when it has suitable attractions.

The very shortage of product in the early days may be seen as an advantage -- at least to producers who will likely get an extended run for their new offerings.

To make an all-Canadian system profitable will be a challenge. But it is precisely the sort of challenge a true entrepreneur will welcome.

Equally, we presume, it is the type of challenge that a government interested in improving cultural autonomy will be eager to see issued and accepted.

5) SEPARATE THE HARDWARE AND SOFTWARE COMPANIES

Canada is already a wired society. Common carriers such as the telephone and telecommunications companies have lines between every city and into almost every home. Cable companies are into a growing proportion. Programme delivery and billing can surely be handled by combinations of existing systems.

Such hardware companies may want to participate in the entertainment segment of pay-TV with their returns based on a percentage of the box office. To do that, however, they would presumably want to influence the program content and such influence is better left entirely with a licensed pay-TV programme agency (see below). Besides, companies with massive investments in hardware have done little for the Canadianization of broadcasting in the past; it's unrealistic to expect them to now.

The hardware companies' payment should be a monthly rate charged the programme agency for each connected household. The agency would then make that connection available free to every household that buys a certain minimum number of pay-TV programmes a year.

Box office risks and rewards would thus remain with the pay-TV programme agency and the independent producers from which it will acquire its attractions.

6) THE PAY-TV PROGRAMME AGENCY SHOULD HAVE THESE CHARACTERISTICS

- a) it should be entirely Canadian-owned.
- b) it should be profit-oriented.
- c) it should have a broad base of shareholders with a ceiling on the maximum percentage that any individual may own.
- d) it should be federally chartered.
- e) it should be a licensed monopoly.

- f) it must agree, as its main condition of licence, to offer only Canadian attractions.
- g) "Canadian" will be defined by the CTRC. In the interests of generating volume (because quality in Canadian production can only grow on a base of quantity), the definition should be as broad as possible. As producers, we have found that the definition of "Canadian" in the Capital Cost Allowance amendments to the Income Tax Act is very satisfactory.

CONCLUSION

Canada has no need of additional market outlets for foreign popular culture. The pay-TV marketplace in Canada must be strictly Canadian, offering Canadian programmes to a potential nightly audience of many million Canadians.

For too many years now, broadcasters, theatre exhibitors, cable companies have paid lip service to the need for Canadian shows. Protesting frustrated virtue all the way, they continue to jam schedules so tight with imported culture that Canadian productions go mostly unseen. Independent producers -- and the Canadian people -- can no longer wait for such media owners to have a change of heart.

Past experience shows that virtually all promises made in licence applications are sooner or later shunted aside by the need or desire to make maximum profits. Every "percentage" device to include Canadian content is quickly sidetracked in spirit, if reluctantly obeyed in the letter. The token Canadian content promises -- fifteen percent of dollar revenue -- that are already being bandied about for pay-TV will prove equally misleading.

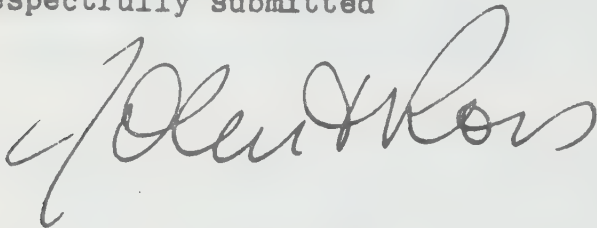
This time the solution is simple. This medium can be run and programmed by Canadians for Canadians. We reject totally any scheme built on the promise of offering predominantly imported attractions. Such a system would disrupt existing business and media patterns and offer Canadians nothing that they can't already get elsewhere.

What Canadians cannot get elsewhere is regular access to the output of independent Canadian producers. That's what the entertainment segment of this huge new communications medium should be all about. To those producers who can create shows that Canadians will pay to see will come revenue that will let them make

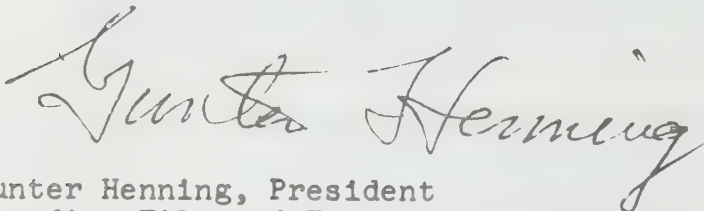
more shows. Those without this ability will quickly disappear.

A vitally useful ingredient will thus be added to Canada's media mix. It will finally create the outlet for Canadian culture that governments have long talked of achieving. And it will cost the taxpayer nothing.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "John T. Ross".

John T. Ross, Chairman
CFTA PAY-TV Committee

A handwritten signature in cursive script, appearing to read "Gunter Henning".

Gunter Henning, President
Canadian Film and Television Association

APPENDIX (A)

The pay television committee of the Canadian Film and Television Association comprises:

John T. Ross (chairman) formed Robert Lawrence Productions (Canada) Limited in 1955 as a wholly-owned subsidiary of a U.S. company. It became Canada's largest TV commercial production house and by 1960 was Canadian-controlled. He remains president and chief executive. Ross' television programme production credits include Scarlet Hill (daytime serial, 130 half-hours), Moment of Truth (216 half-hours), three one-hour TV specials featuring the Muppets; also World of Wicks, Strategy, and 55 North Maple. He was executive producer of CBC Sidestreet, and CBC's first TV movie, The Man Inside.

His shows have been exported to the U.K., U.S., Caribbean, Australia, France, Germany, Japan.

He is president and chairman of the ACTRA Fraternal Benefit Society and Retirement Plan, and a director of CJRT-FM Inc.

Budge Crawley formed his film company in 1939 and it became Canada's largest, with 75 to 150 full-time employees (depending on production levels). Crawley Films has produced 2400 films which have won 215 awards, 110 from outside Canada. The Man Who Skied Down Everest won a 1976 Academy Award.

In addition to numerous sponsored industrial films, Crawley Films have produced major television entertainment and documentary series, and theatrical features which include The Luck of Ginger Coffey, Janis, The Rowdyman, and Amanita Pestilens. Crawley Productions launched the film acting careers of Geneviève Bujold and Christopher Plummer and another thirty of Canada's best-known actors and actresses.

Budge Crawley, C.A., heads up Crawley Films, Graphic Films Laboratory, and Crawley M-H Video.

Gerry S. Kedey has been making Canadian films since 1947. In the 1950s he produced documentaries and non-theatricals; in the 1960s he made many programmes for CBC's public affairs department.

Since 1969 he has been concentrating on TV programmes and feature films. He has produced Audubon Wildlife Theatre (78 episodes), Wildlife Cinema (26 episodes), To The Wild Country (10 one-hour specials), and Wings in the Wilderness (a theatrical feature). His television shows have been distributed in eleven languages to sixteen countries.

He is president of Motion Picture Centre Limited and secretary of KEG Productions Ltd.

Bruce Raymond freelanced as a writer, actor, director in theatre, broadcasting, and films from 1945. He wrote some 200 TV documentaries, film-scripts, radio programmes, and industrial histories, as well as critical reviews. He joined CBC in 1957, became head of the English radio network, then director of the English TV network.

In 1969 he formed his own production and distribution companies (Bruce Raymond Productions, Bruce A. Raymond Company), and has since produced programmes ranging from children's to country music to the occult. Titles include Marc's Music Shop (30 weeks on CTV); Alphabet Soup (2 years on CBC, now selling worldwide); Philip, the Imaginary Ghost; Matthew Manning, Study of a Psychic; The Gordie Tapp Show; Inner Space; World of Gilbert & Sullivan.

This season's shows include a half-hour daily exercise programme for Niagara Television (Enjoy Being Beautiful); and a weekly prime time panel show for CTV (Connection).

Peter Hollidge joined the staff of the Canadian Broadcasting Corporation in May, 1954 and served as a television cameraman until March, 1961.

He resigned from the CBC at that time to found Advertel Productions Ltd., a Canadian company of which he has been president for almost ten years.

Since 1961 Advertel has worked for major U.S. advertising and production companies, producing television commercials for such corporations as Chrysler, Ford Motor Company, General Motors Corporation and Sears; and providing facilities for all three major U.S. television networks, covering such programming as U.S. presidential elections, major sporting events, and TV entertainment programming such as "Sonny and Cher" and others.

During Hollidge's presidency, Advertel introduced to the world single-frame editing on videotape; and colour single-frame editing on videotape (demonstrated at the N.A.B. convention in Chicago, 1964). Advertel was also a world innovator in time-code editing.

APPENDIX (B)

Canadian Film and Television Association

The Canadian Film and Television Association is the national trade association of the private motion picture production industry in Canada. Its 90-odd member companies, including producers (film and videotape), laboratories and suppliers of equipment and services, account for an estimated seventy-five per cent of total Canadian production in the private sector.

Founded in 1948, the CFTA is dedicated to maintaining the highest possible standards in the production of motion pictures for industrial, theatrical and television release. A list of members is as follows:

Active Members

ABS Productions Limited	Dartmouth, N.S.
AKO Productions Ltd.	Toronto, Ont.
Advertel Productions Ltd.	Toronto, Ont.
Alpha Cine Services Ltd.	Vancouver, B.C.
Robert Anderson Associates Ltd.	Aylmer East, Quebec
Atlantic Films & Electronics Ltd.	St. John's, Nfld.
Bellevue Pathe Limited	Montreal, Que.
Berger, Tisdall, Clark & Lesly, Ltd.	Toronto, Ont.
Bonded Filmtreat	Toronto, Ont.
Briston Productions Limited	Montreal, Que.
Robert Brooks Associates Ltd.	Toronto, Ont.
Canadian Filmtronics Aid	Toronto, Ont.
Canadian Super 8 Centre	Toronto, Ont.
Canawest Film Productions Ltd.	Vancouver, B.C.
Century II Motion Pictures Ltd.	Edmonton, Alta
Cherry Film Productions Ltd.	Regina, Sask.
Chetwynd Films Limited	Toronto, Ont.
Jack Chisholm Film Productions Ltd.	Toronto, Ont.
Cine Audio Limited	Edmonton, Alta
Cinera Productions Limited	Toronto, Ont.
Complete Film Services Ltd.	Toronto, Ont.
Comprehensive Distributors Ltd.	Toronto, Ont.
Crawley Films Limited	Ottawa, Toronto, Montreal
EDITCOMM Inc.	Toronto, Ont.
Emerson Screen Productions Limited	Toronto, Ont.
Film D.R. Productions Limited	Edmonton, Alta
Film Effects	Toronto, Ont.
Film House	Toronto, Ont.
Film Opticals of Canada Limited	Toronto, Ont.
Dan Gibson Productions Ltd.	Toronto, Ont.
The Group Productions Limited	Montreal, Que.
Ron Hastings Communications Ltd.	Toronto, Ont.
Henning Jacobsen Productions Ltd.	Toronto, Ont.
Insight Productions	Toronto, Ont.
KEG Productions Ltd.	Toronto, Ont.

Laboratoire Kineco Inc.	Quebec City, Que.
Robert Lawrence Productions (Canada) Ltd.	Toronto, Ont.
Lumby Productions Ltd.	Saskatoon, Sask.
Magder Film Productions	Toronto, Ont.
M.S. Art Services Limited	Toronto, Ont.
Medallion Film Laboratories	Toronto, Ont.
Millard Film Services Ltd.	Toronto, Ont.
Modern Talking Picture Services Inc.	Don Mills, Ont.
Motion Picture Centre Limited	Toronto, Ont.
M.R. Communication Consultants Inc.	Toronto, Ont.
Muskeg Productions Limited	Calgary, Alta.
Nacom Ltd.	Toronto, Ont.
New Communication Concepts Ltd. (NCC Ltd.)	Vancouver, B.C.
Northern Motion Picture Laboratories Ltd.	Toronto, Ont.
Palette Productions	Toronto, Ont.
Lew Parry Film Productions Ltd.	West Vancouver, B.C.
P.F.A. Labs	Toronto, Ont.
P-F Productions	Toronto, Ont.
Quebec Film Labs	Montreal, Que.
Quinn Laboratories Ltd.	Toronto, Ont.
Rabko Television Productions Co., Ltd.	Toronto, Ont.
Racal Zonal Magnetics Ltd.	Scarborough, Ont.
Ranson Photographers Ltd.	Edmonton, Alta.
Bruce A. Raymond Company Ltd.	Toronto, Ont.
Hal Roach Studios International Ltd.	Toronto, Ont.
Rutherford Audio Visual Centre	Toronto, Ont.
Scollard Productions Limited	Toronto, Ont.
SDA Productions Ltée.	Montreal, Que.
Douglas Sinclair Productions Ltd.	St. Jovite Station, Que.
Sonolab Inc.	Montreal, Que.
Southam Videotel Limited	Don Mills, Ont.
SPOT Labs Ltd.	Toronto, Ont.
Al Stewart Enterprises Limited	Toronto, Ont.
Summit Film Productions Ltd.	Hespeler, Ont.
TDF Film Productions Limited	Toronto, Ont.
Trimension Limited	Toronto, Ont.
Universal Education and Visual Arts	Willowdale, Ont.
VTR Productions Limited	Toronto, Ont.
West Coast Film Opticals Ltd.	Vancouver, B.C.
Western Films Limited	Winnipeg, Man.
Westminster Films Limited	Toronto, Ont.

Affiliate Members

Berkeley Studio	Toronto, Ont.
Heinz A.K. Drege	Toronto, Ont.
Gerald Graham	Baie d'Urfee, Que.
Elvino Sauro	Toronto, Ont.

Associate Members

Adfilms Limited	Toronto, Ont.
Airspeed Brokers (1962) Limited	Toronto, Ont.
Braun Electric Canada Limited	Malton, Ont.
W. Carsen Company Ltd.	Don Mills, Ont.
Cinevision Limited	Toronto, Ont.
Alex L. Clark Limited	Toronto, Ont.
Kingsway Film Equipment Limited	Toronto, Ont.
Kodak Canada Limited	Toronto, Ont.
Educational Film Distributors Ltd.	Don Mills, Ont.
Intermedia Financial Services Ltd.	Toronto, Ont.
MacKenzie Equipment Company Ltd.	Toronto, Ont.
Photo Importing Agencies Limited	Toronto, Ont.
Videoart Productions Ltd.	Toronto, Ont.
William F. White Limited	Toronto, Ont.

COMMENT
COMMENTAIRE

September 30, 1976

38

Mr. Harry J. Boyle
Chairman
Canadian Radio-television
and Telecommunications Commission
Berger Building
100 Metcalfe Street
OTTAWA, Ontario
K1A 0N2

Received by - Reçu par
SECRETARIAT

SEP 30 1976

C.R.T.C.

Dear Mr. Boyle:

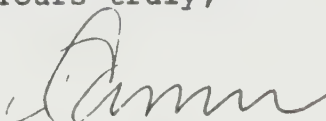
Enclosed are two copies, one in each official language, of this Association's brief on pay TV, in accordance with the Commission's announcement of June 30, 1976.

In addition to the views outlined in the attached brief, there is a connected matter we would like to raise. It appears uncertain whether public hearings will be scheduled on the general issue of pay TV regulations, prior to the hearings which might be called to consider actual licence applications.

For our part, we believe that a hearing on the general issue of pay TV, based on the briefs invited by the CRTC Announcement of June 30, 1976, might be advantageous, even prior to the formulation and issuance of proposed guidelines or regulations.

If such a decision is made, our Association would be pleased to make an appearance.

Yours truly,



PIERRE CAMU,
President.

cc Mr. Guy Lefebvre, Secretary General (12 copies) ✓

CANADIAN ASSOCIATION OF BROADCASTERS

BRIEF ON PAY TV

SEPTEMBER, 1976

This brief was given to
the Canadian Radio-television
and Telecommunications Commission
in response to its public request
of June 30, 1976.

Canadian Association of Broadcasters
Brief on Pay TV
September, 1976

I. BACKGROUND

The CAB, in its brief at the CRTC public hearing in June 1975 in Ottawa said that Pay Television was premature for Canada and that it should be put off for at least five years.

We were very pleased when, in December 1975, the CRTC concluded that it was indeed premature "to introduce a comprehensive Pay Television service into Canada at this time". The Commission, however, indicated that it would continue to study the means by which Pay Television could be introduced in a manner consistent with the preservation and development of the existing broadcasting system. To that end, it indicated that there would be consultation on Pay Television on a continuing basis with the Canadian Association of Broadcasters, the Canadian Cable Television Association and Canadian program producers. That was a very reasonable and pragmatic approach to a difficult and complex problem.

Madame Jeanne Sauvé, the Minister of Communications, appears to have altered this planning process six months later, when she made her speech to the annual meeting of the Canadian Cable Television Association on June 2, 1976. She said that the establishment of Pay Television service on a large scale was "inevitable" and that she would ask the CRTC to call for submissions "on the structural development of pay TV", which the CRTC did soon thereafter.

The CRTC called specifically for submissions on the form and function of the future Pay Television organization. However, because the subject of Pay Television is so important to the immediate and long-range future of television in this country, the CAB feels compelled to point out the numerous problems envisaged in creating such an organization.

Several groups of broadcasters are offering corporate answers or proposals. We have encouraged them to do so, but it is the Association's task to deal with the policy issues and to state the general view of all broadcasters, whether they subsequently become part of a pay TV organization or not.

II. FUNDAMENTAL REQUIREMENTS

We were encouraged by the Minister's statement in that same speech when she stressed that a pay TV operation in Canada would have to accomplish three objectives, namely:

- "First: It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the broadcasting system...
- Second: It must ensure the production of high-quality Canadian programs that Canadians will watch...
- Third: It must ensure that programs are produced in Canada for international sale."

We feel that these objectives are essential requirements which we fully endorse; we trust that if governmental authorities should eventually licence a pay TV operation, there will be no derogation from them.

The Minister also stated that she wanted a "structure that will maximize pay TV's potential benefits for our broadcasting system and for viewer choice". We agree again with this laudable objective, but a determination to achieve all requirements demands more time, more basic research, and a proven demand from the public.

Pay TV should not become just another extension of Hollywood into the living rooms of Canada. Rather, it should promote Canadian cultural development at a reasonable cost for as many Canadians as possible.

Because this is a challenge, we are forced to repeat that although pay TV may be inevitable, its implementation at this time, within six to twelve months or even the next few years, can only be premature. Too many questions remain unanswered, particularly with regard to the social, jurisdictional and financial implications of this new medium.

III. WHY IS PAY TV PREMATURE FOR CANADA?

Is there a strong demand by the Canadian public for pay TV? Is there a clamor by hundreds of thousands of potential subscribers? The majority of the Canadian public, we believe, has limited or no knowledge of, or interest in, pay TV. But then, why would the public be interested? We are told that Canada is the most "cabled" nation in the world, that radio and conventional free television is accessible to almost all Canadian homes and dwellings, and that we have already more choices in both English and French, wherever we live, than most other countries of the world, regardless of size or language.

If choices, variety and quality of programs already offered to Canadians were not as great, there might be a keen interest in and a demand for pay TV. While it is unlikely to succeed in the long run, no attempt should be made "to create" an artificial demand for pay TV.

American "success" stories of pay TV should be examined closely. Their success is not certain or universal and the American development would not parallel ours. Cable has not penetrated the American home or apartment in the same way as it has in Canada. There may be more interest in a recent film or a special sports event, but most American viewers do not have the same choices we do. In Canada, the present broadcasting system provides, without pay TV, a great quantity and variety of programs that serve to undercut a possible demand for a pay TV system.

Moreover, it is conceivable that many Canadians may jump one step ahead with the result that video cassettes and/or video discs, and not live signals, will become the form of pay TV which the consumer may favour in the nineteen-eighties. These technical innovations could make Pay Television as obsolete a concept as the 3-D motion picture or the "colour wheel" system of colour television, both of which seemed to have promising futures in the early nineteen-fifties.

But if there were a demand, for what would it be?

IV. A DEMAND FOR WHAT?

Broadcasters know what is popular on free television: films and major sporting events, major news programs, various dramatic and comedy series, and special programs of regional,

national or international interest. Therefore, many pay TV operators would conclude they were obliged to offer potential paying audiences the most recent films available, as attractive as those shown in local cinemas, and exclusive sports events.

If such a format were adopted, and despite the basic three requirements set by the Minister, then the basic problems outlined in our June 1975 brief remain as formidable as they were a year ago:

- "(1) a further fragmentation of the audience and a consequent diminution of revenues available from advertisers to support the Canadian off-air broadcasting system; ...
- (2) (increased) importation and use of U.S. and other foreign program material; ...
- (3) siphoning of existing programs from 'free' off-air, or conventional cable television to Pay Television such as live sports, motion pictures, special events, etc.; and ...
- (4) ... increased costs of operation which could result in a diminution of the quality of conventional television."

1. Fragmentation

Depending on various sets of assumptions concerning distribution, number of pay TV channels, etc., estimates of audience loss due to pay TV fragmentation vary, as do the estimates of resultant net revenue loss. Most data are speculative estimates and it is not possible to determine them with certainty. But while a few major market, big city, very successful stations might sustain these losses without serious damage, but with a more impaired ability to produce programming, most Canadian stations do not fall into the

well-to-do category. Moreover, additional fragmentation in medium and small markets could prove to be very serious indeed in light of the current financial position of some TV stations in such markets. Consequently, no pay TV operation should start in any community before a study has been made of the potential fragmentation and its probable results and such studies made public for discussion.

2. Increased Importation of Foreign Material

The Minister indicated she wanted pay TV to ensure the production of high quality Canadian programs that Canadians will watch. That is a most desirable national goal but there should be no illusion that pay TV will not have to be a major conduit for American and other foreign movies and programs. To pay its way, pay TV will have to please the paying subscribers and Canadians have demonstrated their preferences for American product.

Moreover, there is no way that the Canadian production industry could now, or in the next several years, satisfy the volume requirements for material to be shown on pay TV. Some have commented that the demand for feature length programming on one pay TV channel for one year would be greater than the number of successful theatrical productions mounted on Broadway or in the West End in the past decade. Therefore, by providing even greater access to foreign productions, pay TV will increase the foreign competition against a relatively much weaker Canadian production industry.

What effect such increased distribution of foreign product will have vis-à-vis our social and cultural development is, of course, difficult to determine. But it does seem incompatible with Canadian governmental policy, particularly with regard to the development of increased national consciousness.

The CRTC requires conventional broadcasting to be 60% Canadian content. But because of the availability of many American channels, plus the American and foreign programming already aired by Canadian stations, the majority of total hours available are non-Canadian. For example, in Calgary, it has been estimated that there are available 685 hours of American programs as compared with 195 hours of Canadian shown per week. Consider what ratios might be across the country with the infusion of pay TV into the Canadian broadcasting system.

The self-evident fact is that pay TV will offer another distribution system for recent American movies and other foreign productions which are already widely distributed throughout Canada in theatres. Rural communities may see pay TV as a way to see more movies because such communities may lack theatres. But pay TV will likely be for many years mostly available in urban centres.

3. Siphoning of Existing Programs

Madame Sauvé specified that pay TV must not siphon existing programs from conventional TV and that pay TV programs must not duplicate those now offered. We agree completely but anti-siphoning regulations can at best only maintain the status quo. For example, tennis is now becoming

a popular sport on conventional TV. If pay TV had been introduced five years ago, would tennis have become available on pay TV or free TV? Would the Olympics have been on "free" TV? The Canada Cup? Pay TV, with its subscriber-based cash flow, versus advertiser-based revenues for conventional broadcasters, would have the stronger competitive edge to bid for the rights. A few owners of rights would gain; the general consumer would lose.

And it is questionable whether the holders of rights to sports or other kinds of properties now shown on conventional TV would not be able to get around anti-siphoning regulations. A scenario might go like this: If the rights' holders name a price too high for conventional broadcasters and the sports disappear (or newer movies and specials become less and less frequent), public outcry could be expected. Pay TV says it can meet the price. Public demand puts pressure on the regulating body. What happens then?

The Stanley Cup finals and the Grey Cup are now available "free" to 98% of all Canadians; movies are now being seen within two years or less of box office distribution; new big name specials appear frequently. With pay TV in full operation, it is conceivable that this happy situation could change. And if it does not change, what could pay TV possibly offer, for say \$8 to \$10 per month?

4. Increased Costs of Operation

There is little doubt that the bidding for sports, movies, and special events could become fierce and intensive.

Film programme costs could increase dramatically to off-air broadcasters and there would be more competition for big name performers, musicians and so forth without necessarily increasing opportunities for newcomers. Broadcasters would have to bid against pay television operators who would have the assurance of a demonstrable cash flow from a paying audience in contrast with the uncertain commercial sponsorship of programs. Moreover, advertisers and agencies have been very vocal of late with their protests against rising ad costs. So increased costs will not likely be offset by generous advertisers.

The significance of all these problems is that the Canadian viewer could be faced with a diminution of program quality, Canadian and foreign produced; and the broadcaster will pay more to bring less to the Canadian audience. A serious threat indeed.

V. PAY TV FINANCIAL CONSIDERATIONS

A model for a pay TV operation outlined over the summer by Pay Television Network (PTN)^{*} allocates 25% of revenue to the purchase of foreign program production and 55% of revenue to cable operators, who provide the pay TV service to the home. Canadian program production is to receive 15% of total revenue.

^{*} A company formed by members of the Canadian Cable Television Association to seek a licence to operate a pay TV operation.

The first question to arise is how much of that 55% will be spent outside the country to purchase capital equipment, very little of which may be made in Canada? Or is an amount additional to the 55% to be allocated to capital equipment purchases? In short, how much of the total dollar flow required to set up and operate pay TV will go outside Canada in one way or another? And how much will be spent on capital equipment per subscriber?

Secondly, what will be the cost efficiency of that 25% for foreign programmes, after the heavy capital expenditures are made? Reports indicate that Hollywood tends to obtain 35%, not 25%, of gross revenues. There is no doubt that owners of movies and other attractive foreign fare will do their utmost to exact the highest price for their product, once the pay TV operators have made their investment and have to get product to make their investment pay. The foreign producers will continue to have other buyers but the Canadian pay TV operator will not have other adequate resources. As foreign film prices rise, and foreign movies would appear to be the financial mainstay of the system, there will doubtless be pressure to reduce the 15% allocated to Canadian production. Or the subscriber will have fewer choices. Or both.

In addition, the U.S. typical model appears to show an exhibitor share of 59% in contrast to the PTN proposal of 55%. Again, more pressure could be generated to squeeze the 15% proposed for Canadian production.

These are difficult questions and ones to which accurate answers have to be found before pay TV becomes a national

reality in Canada. The Federal Government has commissioned several independent studies on pay TV and all such studies should be made available to the public.

VI. CONSIDERATION OF POPULATION ON LOW INCOMES
AND THOSE DISADVANTAGED BY GEOGRAPHY

Perhaps more important than the financial considerations and the problems we raised such as fragmentation and siphoning, is a question which could haunt policymakers, and is worth raising in the view of the CAB. It relates to the possible polarization of segments of population perceived as advantaged and disadvantaged. The question is:

Could pay TV symbolize the idea that top quality entertainment and information -- the great films, the sports spectaculars, national and international events -- should be reserved for the viewing of only an economic elite in our society? We think it could, particularly if pay TV is to be allowed to be developed and introduced quickly at this time. Viewers with money in metropolitan centres could be favoured to the detriment of the majority.

VII. WHAT IF PAY TV IS LICENCED?

For all of our stated reasons, the Canadian Association of Broadcasters believes pay TV in Canada could not at the present time meet the requirements of Canada's policy-makers.

Nevertheless, in response to the CRTC's call for comments on the form and function of a pay TV organization we would offer the following recommendations. We do this basically for

two reasons:

- (1) broadcasters, and the viewers of conventional "free" TV, have probably the most to lose if pay TV goes ahead;
- (2) broadcasters are in the best position to have the knowledge and expertise to develop and operate the programming aspects of such an operation and, in so doing, to lessen the potential damage to the broadcasting system.

In light of these two considerations, and if governmental authorities decide licences should be issued, the Association would recommend:

- (a) That a pay TV structure (agency or company) would have to accomplish three objectives, namely: (1) it must provide a range of programming which does not duplicate conventional TV and must do so without siphoning programs from the Canadian broadcasting system; (2) it must ensure the production of high-quality Canadian movies and programs; and (3) it must ensure that movies and programs produced in Canada are of international sale quality.
- (b) That prior to the launching of a full scale national or regional operation, intensive and careful testing be carried out in representative communities, in each official language, to insure pay TV is valid and viable for Canada.

- (c) That the agency be privately-owned and controlled by broadcasters. They have long experience and notable success in television production, unlike the cable industry which still is in the formative years so far as programming is concerned, and which is still essentially a "hardware" type of industry, like telephone companies.

It is also important that the existing high standard of non-paying television be maintained and broadcasters can be expected to try to safeguard conventional TV from deterioration brought on by pay TV. Moreover, the governments of Canada, both federal and provincial, contribute heavily to development of the Canadian production industry. The total budget estimates (1976-77) of such agencies as CBC, CFDC (a form of pay TV), NFB, TV Ontario, and Radio Quebec (two more forms of pay TV) now reach about one half billion dollars annually. Should not the taxpayer be relieved of having to contribute to another such operation?

- (d) That before any pay TV licence is given for a specific market, a study be made of each market where a TV station is located to determine the potential for fragmentation by pay TV and that the complete study on each market be published for public discussion.

- (e) That the programming be eventually offered to Canadians of all regions in the official language appropriate to the population in the various regions and include Canadian programming financed by a fixed share, as a minimum, of revenues and profits.
- (f) That no paid advertising be permitted whatsoever.

VIII. CONCLUSION

Graham Spry of the Canadian Broadcasting League is a spokesman with whom we have had our differences. Yet we agree with his remarks on pay TV made at York University in June of 1976:

"The fourth crisis and phase of Canadian broadcasting is rushing pell-mell upon the Canadian people and once again we know too little of what it means."

If we were asked to sum up our position on pay TV, at this time, in one phrase, our answer would be:

INEVITABLE, IT MAY WELL BE. NOW, NO!

ASSOCIATION CANADIENNE DES RADIODIFFUSEURS

MEMOIRE SUR LA TELEVISION A PEAGE

SEPTEMBRE 1976

Mémoire présenté au Conseil
de la radiodiffusion et des
télécommunications canadiennes
en réponse à la demande
publique faite par lui
le 30 juin 1976.

Association canadienne des radiodiffuseurs
Mémoire sur la télévision à péage
Septembre 1976

1. HISTORIQUE

Dans son mémoire à l'audience publique du CRTC en juin 1975, à Ottawa, l'ACR affirmait qu'il serait prématuré de permettre à la télévision à péage de s'installer au Canada avant au moins cinq ans.

Nous avons donc appris avec satisfaction en décembre 1975, que le CRTC avait jugé "prématuré d'introduire actuellement au Canada la télévision à péage". Le Conseil croyait, malgré tout, qu'il devait continuer d'examiner les modalités éventuelles d'introduction de la télévision à péage de manière à ne contrarier ni le maintien ni les progrès de la radiodiffusion sous sa forme actuelle. Il prévoyait un processus continue de consultation avec l'ACR, l'Association canadienne de télévision par câble et les réalisateurs de programmes canadiens. C'était là une attitude raisonnable et pragmatique de s'attaquer à un problème compliqué et difficile.

Il semble toutefois que Mme Jeanne Sauvé, ministre des Communications, ait modifié ce processus six mois plus tard. Dans le discours qu'elle prononçait au congrès de l'Association canadienne de télévision par câble le 2 juin 1976, elle affirmait inévitable l'avènement de la télévision à péage, ajoutant qu'elle prierait le CRTC de demander des mémoires "sur le développement structurel de la télévision à péage", ce qu'a fait très vite le CRTC.

Le Conseil demanda donc des suggestions quant à la formule et aux fonctions de l'organisation future de la télévision payante. La question a pour l'évolution de la radiodiffusion une importance telle, à court et à long terme, que l'ACR se juge contrainte de dresser ici la liste des nombreux problèmes que susciterait la mise en place d'une organisation de ce genre.

Divers groupes de diffuseurs ont avancé collectivement réponses et propositions aux questions de principe qui se posent. Nous les avons incités à agir ainsi, mais nous croyons du devoir de l'ACR de discuter de politiques et d'exposer les opinions générales de tous les diffuseurs, qu'ils participent ou non un jour à la télévision à péage.

II. EXIGENCES FONDAMENTALES

Du discours du ministre nous avons extrait une observation encourageante, qui assignait trois objectifs à la télévision à péage au Canada, soit:

- Premièrement: Elle doit fournir une gamme de programmes qui ne fasse pas double emploi avec ceux qu'offrent actuellement les radiodiffuseurs et ce, sans capter les programmes du système de radiodiffusion...
- Deuxièmement: Elle doit assurer la production de programmes canadiens de haute qualité que les Canadiens regarderont...
- Troisièmement: Elle doit assurer que l'on produise au Canada des programmes pour le marché international...

Ces objectifs nous semblent des pré-requis essentiels; nous y souscrivons sans réserve. Nous osons croire que si les pouvoirs publics un jour accordent des permis de télévision à péage on saura ne pas les oublier.

Le ministre ajoutait vouloir une structure dont la radiodiffusion et le public tireraient le maximum d'avantages possibles. Il s'agit encore une fois d'un louable objectif que nous faisons nôtre. Mais encore une fois nous pensons que pour satisfaire à toutes les exigences il faudra plus de temps, plus de recherches de base et, en outre, la preuve d'une véritable demande de la part du public.

Il faudrait que la télévision à péage ne devienne pas une nouvelle tentacule d'Hollywood au Canada, mais qu'elle favorise les progrès culturels du Canada, et permette à un plus grand nombre de Canadiens d'en profiter à meilleurs frais.

Face à ce défi, nous devons pourtant insister: aussi inévitable que soit la télévision à péage, ses débuts d'ici six ou douze mois, d'ici même quelques années, demeureront prématurés. Il reste à régler diverses questions sociologiques, juridictionnelles et financières de ce nouveau médium.

III. POURQUOI LA TELEVISION A PEAGE, AU CANADA, EST-ELLE PREMATUREE?

Le public canadien réclame-t-il à hauts cris et par centaines de milliers la télévision à péage? Nous croyons, au contraire, que la majeure partie du public canadien s'intéresse peu ou pas à cette question, et qu'il ne la

connaît pas non plus. D'ailleurs, pourquoi s'y intéresserait-il lui qui vit dans le pays le plus "câblé" du monde, où la presque totalité des foyers canadiens peut avoir accès à un système gratuit de radio et de télévision et où il bénéficie d'un éventail de choix plus vaste, aussi bien en français qu'en anglais, que la plupart des autres pays du monde, quelles que soient par ailleurs leur étendue ou leur langue.

Si les Canadiens ne disposaient pas d'une telle variété, quantitative et qualitative de programmes, ils s'intéresseraient sans doute à la télévision à péage. Il ne faudrait donc pas chercher à provoquer une demande artificielle, encore que les efforts qu'on pourrait tenter semblent voués à l'échec.

Examinons soigneusement les succès contestables et si peu généraux de la télévision à péage aux Etats-Unis. L'évolution connue aux Etats-Unis, ne saurait se répéter au Canada. Les Américains n'ont pas accès au câble dans la même proportion que les Canadiens et en conséquence ne disposent pas des mêmes possibilités de choix: de là sans doute l'engouement pour tel film ou tel évènement sportif. Le système canadien de radiodiffusion offre déjà des programmes variés et nombreux qui diminuent d'autant la demande d'un service de télévision à péage.

On pense par contre que les Canadiens prendront les devants et choisiront les vidéo-cassettes et les vidéo-disques comme formule de télévision à péage dans les années 80. Ces innovations techniques pourraient rendre la télévision à péage aussi désuète que le cinéma en trois dimensions ou la TV-couleur à disque, découvertes techniques qui paraissaient pourtant si prometteuses au début des années 50.

IV. UNE DEMANDE - POUR QUOI?

Le diffuseur connaît ce qui plaît à ses téléspectateurs: les films, les grands reportages sportifs, les émissions d'information, les feuilletons dramatiques ou comiques et les émissions spéciales d'intérêt régional, national ou international. En conséquence, un grand nombre d'exploitants de la télévision à péage se croiront obligés d'offrir à leurs clients éventuels les films les plus récents, aussi intéressants que ceux que proposent les salles locales ainsi que des exclusivités sportives.

Cette formule malgré les trois exigences posées par le ministre, susciteraient toujours les problèmes majeurs que nous avons décrits dans notre mémoire de juin 1975:

- "(1) Une nouvelle fragmentation de l'auditoire et, par voie de conséquence, une diminution des recettes de publicité qui servent au financement de la radiodiffusion canadienne en ondes...
- (2) l'importation et l'utilisation accrues d'éléments de programmes d'origine américaine ou autre...
- (3) le passage de programmes existants en ondes ou transmis sur câble à la télévision à péage (Ex: sport en direct, films, événements spéciaux etc.), et...
- (4) Une augmentation des frais d'exploitation qui pourrait se traduire par une diminution de la qualité de la télévision classique."

1. Fragmentation

De ce point de vue les prévisions varient en fonction de diverses hypothèses relatives à la distribution, au nombre de canaux de télévision à péage, à la perte d'auditoire, etc; varient également les estimations en ce qui concerne la perte

nette de recettes. Les données sont presque toutes estimatives et il est impossible de les préciser avec quelque certitude. Certains postes des grands marchés ou des grandes villes pourront peut-être soutenir ces pertes sans trop de dégâts, en réduisant sans doute leur production; la plupart des postes canadiens de télévision ont des coffres moins bien garnis. Ajoutons qu'une nouvelle fragmentation des marchés petits et moyens risquerait d'avoir des conséquences graves eu égard à l'actuelle situation financière des postes de télévision de ces régions. Il s'ensuit qu'on ne saurait envisager la mise en route de la télévision à péage où que ce soit avant un examen de la fragmentation possible et de ses résultats probables et avant que le public n'ait eu l'occasion de discuter des résultats de ces recherches.

2. Augmentation de l'importation des émissions étrangères

Au dire de Mme Sauvé la télévision à péage aurait pour mission de réaliser des émissions canadiennes de qualité qui plairaient aux Canadiens. Il ne faudrait cependant pas se faire d'illusions au sujet d'un tel objectif national. La télévision à péage constituera un véhicule de choix pour les films et les autres programmes américains ou étrangers. Les Canadiens ont manifesté depuis longtemps leur préférence pour les produits américains qui ont l'avantage de plaire et d'assurer la rentabilité.

De plus les producteurs Canadiens ne peuvent pas maintenant alimenter la télévision à péage et ne le pourront pas pendant plusieurs années encore. D'aucuns ont prétendu

qu'il faudra plus de longs métrages pour un seul canal de télévision à péage pendant une année, qu'il n'y a eu de spectacles de Broadway ou du West End depuis dix ans. Il s'ensuit qu'en facilitant encore davantage l'accès à la production étrangère, la télévision à péage augmentera la concurrence étrangère à laquelle devra faire face une industrie canadienne beaucoup plus faible.

On ne peut pas prédire l'effet que pourrait avoir sur l'évolution culturelle et sociale du Canada cette diffusion accrue de produits étrangers. Cela semble incompatible avec la politique du gouvernement canadien, qui voudrait développer une conscience nationale plus vive.

Selon le CRTC, la télévision classique doit avoir une teneur canadienne de 60 p. 100. Cependant, la disponibilité des canaux, et des programmes américains fait que la meilleure partie du total du nombre d'heures d'antenne n'est pas canadienne. A Calgary, par exemple, on estime que les programmes américains jouissent de 685 heures de diffusion par semaines et les émissions canadiennes de 195 heures. On peut imaginer quel rapport national existerait après l'introduction au Canada de la télévision à péage.

Sans contredit, la télévision à péage fournira un nouveau moyen de diffusion aux primeurs cinématographiques américaines étrangères déjà diffusées au Canada dans les salles de cinéma. Dans les régions rurales où n'existent que peu de cinémas, on y verra peut-être une façon d'assister à plus de films. Il reste pourtant que, pendant bien des années encore, la télévision à péage ne sortira guère des grandes villes.

3. Déplacement des programmes existants

Mme Sauvé a précisé qu'il ne faudrait pas que la télévision à péage aille puiser ses programmes aux mêmes sources que la télévision classique, non plus qu'offrir le même genre d'émissions que celles qui existent déjà. C'est aussi notre avis. On notera cependant qu'une réglementation ne saurait tout au plus qu'entretenir le statu quo. Le tennis, par exemple, devient de plus en plus populaire à la télévision. Si la télévision à péage existait depuis cinq ans qui, de la télévision à péage ou de la télévision conventionnelle aurait obtenu les droits de diffusion? Et les Olympiques et les joutes de la Coupe Canada? La télévision à péage, qui tire ses recettes de l'abonné, contrairement au diffuseur ordinaire qui compte sur la publicité, bénéficierait d'une situation concurrentielle privilégiée lorsqu'il s'agirait d'un appel d'offres. Quelques propriétaires de droits y gagneraient; le public y perdrait.

On peut croire aussi que les détenteurs des droits de spectacles sportifs ou autres que l'on voit maintenant à la télévision, trouveront les moyens de contourner les règlements édictés contre ce genre de déplacement. Voici à peu près comment cela se passerait. Si le détenteur des droits pose des exigences trop fortes à l'endroit du diffuseur classique et que le spectacle sportif ne passe pas (ou les films plus récents, ou les émissions spéciales) on doit s'attendre à un tollé de la part du public. Sur ce, la télévision à péage se dit capable de rencontrer les exigences. Du coup, l'autorité compétente se trouve aux prises avec l'opinion publique. Qui fait les frais de l'opération?

98 p. 100 des Canadiens peuvent assister "gratuitement" à la diffusion des parties de la Coupe Grey et de la Coupe Stanley. On peut voir au petit écran des films dans les deux ans qui suivent leur passage au cinéma. Les émissions spéciales, avec participation de grandes vedettes, ne sont pas rares. Imaginons une télévision à péage en pleine opération. Ne peut-on pas penser que cette heureuse situation changerait? Sinon que pourrait donc offrir la télévision à péage contre \$8 ou \$10 par mois?

4. Accroissement des frais d'exploitation

L'obtention des droits de diffusion des matchs sportifs, des films et des émissions spéciales se fera au terme d'une lutte intense et féroce. Le diffuseur devra payer ses films beaucoup plus cher. Il y aura augmentation de la concurrence en ce qui concerne les grands noms du spectacle, la musique, etc., sans qu'il s'ensuive pour autant une amélioration des chances des débutants. Le diffuseur aurait à pratiquer la surenchère par rapport à l'exploitant de la télévision à péage, qui peut à tout moment administrer la preuve de la rentabilité de son entreprise alimentée par ses abonnés, alors que son rival ne pourrait compter que sur des recettes publicitaires toujours incertaines. Ajoutons que publicitaires et commanditaires s'objectent depuis quelque temps à la hausse des tarifs de publicité. On a droit de penser que leur générosité ne suffira pas à compenser l'augmentation des frais.

On pourra conclure de tout cela que le téléspectateur canadien devra subir une baisse de la qualité des programmes réalisés au Canada ou ailleurs et que le diffuseur devra payer désormais plus

cher le droit d'offrir à son client canadien un moins bon service qu'auparavant. Grave menace, en vérité.

V. ASPECTS FINANCIERS DE LA TELEVISION A PEAGE

Une Société créée par l'Association canadienne de télévision par câble afin d'exploiter la télévision à péage au Canada, Pay Television Network (PTN) a préparé au cours de l'été un modèle d'exploitation. Elle prévoit consacrer 25 p. 100 des recettes à l'achat de programmes étrangers et 55 p. 100 aux câblodiffuseurs qui alimenteraient les foyers canadiens. On réserve 15 p. 100 des recettes aux émissions réalisées au Canada.

Une première question vient à l'esprit: quelle partie des 55 p. 100 restera au Canada pour l'achat de l'équipement, dont une minime proportion est fabriquée chez nous? Prévoit-on ajouter à ces 55 p. 100 à cette fin? Bref, quelle partie des sommes requises pour la mise en route et l'exploitation de la télévision à péage sortira du Canada, d'une façon ou d'une autre? Et ensuite combien dépensera-t-on, en biens d'équipement, par abonné?

Deuxièmement, qu'advient-il de la rentabilité des 25 p. 100 consacrés à l'achat des programmes étrangers, compte tenu de l'importance du capital engagé au titre de l'équipement? De source bien informée nous apprenons que Hollywood conserve 35 p. 100 et non 25 p. 100 des recettes brutes. Nul doute, les propriétaires de films et d'autres documents intéressants feront tout en leur pouvoir pour vendre leur produit le plus cher possible,

après que l'exploitant de la télévision à péage aura fait son investissement initial et qu'il devra à tout prix trouver une alimentation rentable pour ses services. Sans doute le producteur étranger aura-t-il d'autres clients, mais l'exploitant canadien de la télévision à péage n'aura aucune autre ressource suffisante. Au fur et à mesure que le prix des films étrangers augmentera, eux qui constitueront selon toute vraisemblance le principal support du système, on cherchera à diminuer les 15 p. 100 réservés à la production canadienne ou à réduire le choix de l'abonné. Les deux phénomènes pourraient se produire simultanément.

En outre, le modèle américain indique que l'exploitant reçoit 59 p. 100 plutôt que 55 p. 100. On peut en conclure que de nouvelles pressions s'exerceront pour comprimer encore les 15 p. 100 réservés à la production canadienne.

Voilà des problèmes difficiles auxquels il faudra trouver des solutions précises avant de faire de la télévision à péage une réalité canadienne. Le gouvernement fédéral a subventionné plusieurs études indépendantes sur cette question. Il faudrait les rendre publiques.

VI. LES ECONOMIQUEMENT FAIBLES - LA GEOGRAPHIE

Nous avons envisagé divers problèmes: questions financières, fragmentation, déplacement. Pourtant un sujet important devrait préoccuper nos hommes politiques. On ne peut pas éviter de parler de cette polarisation de la population canadienne et de sa répartition entre nantis et non-nantis.

Le concept de la télévision à péage signifierait-il que seule une élite économique puisse avoir accès aux spectacles de haute qualité (sports, cinéma, information, actualité nationale ou internationale)? Voilà qui arriverait sans doute si la télévision à péage devait commencer et se répandre sous peu. Le téléspectateur aisé des grands centres se trouverait ainsi avantagé au détriment de la majorité.

VII. QU'ARRIVERA-T-IL EN CAS D'INTRODUCTION DE LA TELEVISION
A PEAGE?

En vertu des raisons invoquées ci-dessus, l'ACR est persuadée que l'introduction actuelle de la télévision à péage au Canada ne saurait satisfaire aux desiderata de ceux qui font notre politique.

Néanmoins, le Conseil nous ayant demandé notre avis sur la forme et la fonction d'une organisation de télévision à péage, nous avons décidé de lui faire parvenir nos propositions pour deux motifs en particulier:

- (1) Les diffuseurs et l'utilisateur ordinaire de la télévision sortiront sans doute les grands perdants si la télévision à péage reçoit le feu vert;
- (2) les télédiffuseurs forts de leurs connaissances et de leur compétence peuvent, mieux que tout autre, s'occuper de l'aspect programmation d'une opération de ce genre et, ce faisant, limiter le préjudice éventuel causé à la radiodiffusion sous sa forme actuelle.

A la lumière de ces deux considérations et au cas où les pouvoirs publics décideraient d'accorder des permis d'opération, l'Association propose:

- (a) que toute entité de télévision à péage (agence ou société) se soumette à trois objectifs, (1) proposer un éventail de programmes différents de ceux de la télévision classique, sans déplacer les programmes diffusés par les postes canadiens, (2) garantir la production d'émissions ou de films canadiens de haute qualité et (3) s'assurer que ces films ou émissions aient une qualité telle qu'ils puissent se vendre à l'étranger;
- (b) qu'avant la mise en route sur une échelle nationale ou régionale, de la télévision à péage, on procède à des essais soigneusement conçus et poussés dans diverses localités-témoins, dans les deux langues officielles, de façon à s'assurer que la télévision à péage soit, au Canada, valable et viable;
- (c) que l'agence appartienne au secteur privé et que les radiodiffuseurs la contrôlent. Ils ont en effet une longue expérience de la production et de grands succès à leur actif, tandis que les câblodiffuseurs en sont encore à leurs premières armes en réalisation à l'intérieur d'une entreprise de service matériel tout comme une compagnie de téléphone.

Il importe aussi de maintenir les normes actuelles élevées déjà atteintes en matière de télévision. On peut attendre du diffuseur qu'il cherche à défendre la télévision classique contre le préjudice que lui porterait la télévision à péage. Ajoutons que les gouvernements canadiens (fédéral et provinciaux) participent déjà à la production canadienne. Au total, à ce chapitre, Radio-Canada, la SDICC (espèce de télévision à péage) l'ONF, TV-Ontario et Radio-Québec (deux autres formes de télévision à péage) font état de prévisions budgétaires annuelles qui atteignent environ, à ce jour, un demi-milliard. Ne pourrait-on pas songer à éviter au contribuable d'avoir à participer à une nouvelle opération de ce genre?

- (d) qu'avant l'octroi d'un permis de télévision à péage, pour tel ou tel marché particulier, on procède à une étude de chaque marché où se trouve un poste de télévision afin d'évaluer le risque de fragmentation de l'auditoire du fait de l'introduction de la télévision à péage et que l'on communique les résultats de chacune de ces études au public pour qu'il puisse en discuter;
- (e) que l'on propose une programmation à tous les Canadiens dans la langue officielle qui se parle dans la région et que cette programmation comprenne des émissions canadiennes financées par une proportion fixe minimale des recettes et bénéfices;

- (f) que l'on interdise l'utilisation de toute publicité commerciale.

VIII. CONCLUSION

Nous n'avons pas toujours été du même avis que Graham Spry de la Ligue de la radiodiffusion canadienne. Malgré tout, nous ne saurions que souscrire aux observations qu'il faisait en juin 1976 à l'Université York:

"La population canadienne va bientôt se trouver confrontée à une quatrième crise de la radio-diffusion. Ce flot qui derechef déferle sur nous, nous trouve, une fois de plus, ignorants de ce que tout cela veut dire".

Si on nous demandait de résumer notre point de vue sur la télévision à péage, nous répondrions:

DEMAIN PEUT-ETRE: AUJOURD'HUI, CERTES NON!



Canadian Cable Television Association

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COMMENT
COMMENTAIRE

39

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September 30, 1976 Received by - Reçu par
SECRETARIAT

Mr. G. R. Lefebvre
Secretary General
Canadian Radio-television and
Telecommunications Commission
100 Metcalfe Street
Ottawa, Canada

SEP 30 1976

C.R.T.C.

Dear Mr. Lefebvre:

Enclosed please find five English language copies of our submission titled, "Producer and Consumer - The Cable Connection" in response to the request of the CRTC June 30th, 1976 "for commentary on the form and function of an organization to assemble, produce and acquire programming for distribution to licensed broadcasting undertakings for pay television...".

Additional copies of this English language submission will be furnished, on an individual basis to members of the Executive Committee of the CRTC and the senior staff tomorrow, October 1st; and in its French language version as soon as printing is completed at the middle of next week.

Our Chairman, Mr. Philip B. Lind and I, will be making known the contents of this submission at a media conference, 5:00 p.m. this evening, Thursday September 30th.

Please let me know how many additional copies of the brief will be required, in each language, for the use of the Secretariat.

Cordially,

Michael Hind-Smith

Enclosure:

**Producer
& Consumer**

**the cable
connection**



**A submission to the
Canadian Radio-television and Telecommunications Commission
on the introduction of pay television**

Canadian Cable Television Association
Association Canadienne de television par câble

PRODUCER AND CONSUMER
The cable connection

A submission to the
Canadian Radio-television and Telecommunications
Commission on the introduction of pay television

Canadian Cable Television Association
Association Canadienne de télévision par câble

Ottawa,
October 1st
1976.

I. Introduction

A RECONCILIATION OF INTERESTS

The Canadian Cable Television Association/Association Canadienne de télévision par câble welcomes the Commission's invitation of June 30th to contribute to the national debate on the "form and function of an organization to assemble, produce and acquire programming for distribution to licensed broadcast undertakings for pay television".

The 295 members of CCTA/ACTC, as licensed broadcast undertakings, have a very direct interest in that form and function, and in the process of discussion and debate leading to it. Together, they represent three million cable subscribers or almost ten million individual Canadians who have chosen to receive their television signals by cable.

We will not review and repeat the lengthy submissions made in response to the Commission's earlier call for discussion in June 1975. Nor do we propose here a detailed operational blue print for Canada's new pay television system. Instead, we focus on what we believe will be the classic dilemma that the Government and the Commission faces. That dilemma is to reconcile the interests of the producing community with those of the consuming community. We call it "classic" because its implications run throughout Canadian experience. The terms of the Broadcasting Act provide but a microcosm of it.

The Broadcasting Act of 1968

The dilemma Parliament faced in introducing the Broadcasting Act of 1968 was to balance its expression of national goals for our broadcasting system against the expressed wishes of the consuming public it is designed to serve. While the Broadcasting Act in Section 3(c) guarantees the right of persons to receive programs subject only to generally applicable statutes and regulations; in Section 3(d) guarantees access to programming by the producing community, using predominantly Canadian and other resources.

What Parliament could not do is guarantee the consumption (viewing) of programs. The CRTC is empowered to make regulations. The system can be regulated, but the viewers cannot. Apart from the confirmation of CBC/Radio-Canada as the principal instrument of national purpose in the broadcasting system, there are few positive regulatory mechanisms available to the Commission to achieve the objectives of Canadian broadcasting.

In pay television the government has such a positive option.

What is at issue was succinctly expressed in the Commission's concluding sentence of its own position paper issued in February 1975:

"The question is clear. Can a service be developed, devoid of commercial content and without interruption of program material, which will be of sufficient interest to the public to be marketable and financially sound and at the same time provide a new impetus to the growth of the Canadian program production industries?"

Our answer to that question, and the Commission's announcement of June 1976, is divided into four parts:

- I. The producing community, and its interest in the growth of the Canadian program production industries.
- II. The consuming community, and its interest in a new service for which it is the market.
- III. The cable industry's interest in delivering a service that is marketable and financially sound.
- IV. Recommendations for a national policy.

II. THE PRODUCING COMMUNITY

The members of the Canadian Cable Television Association wish to make it quite clear that they fully support the three major objectives outlined by the Minister of Communications in her speech of June 2nd, 1976, quoted in the CRTC's announcement of June 30th inviting this submission. CCTA's earlier submission of June 1975, accepted without reservation that a partnership of creative resources would have to be mobilized in order to warrant the issuance of licences, the primary condition of which would be the commitment of resources to the creation of a significant and new range of programming choices.

This commitment was reflected by the overflowing attendance at all the sessions on pay television at our Toronto Convention June 2nd, 1976. To these sessions, under the title of "Partnership for Production", we invited leading representatives of the conventional television broadcasting industry and of the creative, programming and production communities.

Since June 2nd, the Association officers along with our members who comprise PTN - Pay Television Network Limited/RTP - Réseau de Télévision à Péage Ltée have spent an active summer exploring the basis of partnership with broadcasters and the programming community, and with an interested public whom we sought out in three major public conferences over the past three months.

On the basis of these explorations, we have three observations that are fundamental to the development of pay television:

- 1) Pay television adds a unique and distinct dimension to our broadcasting system. It shares the electronic home screen and thus has some effect on the present broadcasting system, but it isn't broadcasting in the conventional sense. Among other distinctions, it is not a universal and national necessity and it is financed neither by direct government funds nor by advertisers. It is directed to meet an entirely discretionary want financed by an entirely discretionary consumer dollar.
- 2) The terms advanced by the Minister of Communications for the introduction of pay television to Canada are distinctively different from those prevailing in the United States. The regulatory pre-occupation in the United States, expressed in the Federal Communications Commission's rules, has been with the protection of the vested interest of the conventional broadcaster. No policies or rules have been established in the United States to ensure the creation of new product for the medium, nor to promote social/cultural objectives. In Canada, we interpret government intentions very directly to ensure the creation of new product and for very specific national purposes.
- 3) The most active and positive reactions to pay television have been expressed by representatives of the creative community, notably producers, performing organizations and filmmakers. Their common theme is the complaint that the present structure of the broadcasting system has denied them outlet for their creativity. Their common desire is to ensure that the structure of pay television serves their particular needs.

Graham Spry, the widely respected founder of the Canadian Broadcasting League, described the introduction of pay television as "the fourth crisis in Canadian broadcasting".

If it is indeed a crisis, it is not the introduction of pay television itself, but a recognition that the conventional structure of broadcasting has not proved adequate for the needs of the producing community. Pay television represents a response to the crisis because it brings new forces into play - new outlet, new sources of talent and new sources of payment for it.

We do not believe that the conventional advertiser-supported broadcasting industry is synonymous with the creation of programming utilizing predominantly Canadian resources. On the contrary the build-up of hardware and personnel by the conventional networks, in both English and French-speaking Canada, has tended to inhibit the growth of a lively independent programming industry.

To quote a statement from a recent study commissioned by the Department of Communications, Ottawa:

"A number of facts have emerged which point to the present Canadian content quota system as having been quite detrimental to the success of an independent industry...the requirement placed on the private broadcaster to produce Canadian content has led to such investment in hardware and staff that virtually all Canadian production can be done in-house. With the development of broadcaster-associated production houses, the independent producer is, in effect, a competitor."

If the objective of the Broadcasting Act is to increase the creative production capacity of this country, then our logical partner is what some see as the forgotten element of the broadcasting system - the independent producer.

There appear to be three factors that have limited the participation of the independent producer in broadcasting.

- 1) Original Canadian-produced film is a relative rarity on private advertiser-supported conventional networks, and indeed, is not much more used on the publicly-supported CBC networks. An explanation is given in the Department of Communications study:

"The production and post-production costs of film are such that no film program can be supported by the Canadian market alone. No independent producer in Canada contemplates using film as a medium of distribution unless the program is designed for international sales."

- 2) The independent producer, by reason of his limited participation in the conventional broadcasting system is not disciplined to the economic stringencies of filling a television schedule. His talent is more tuned to the single program or a film. It is a discipline and a talent much more likely to find expression and outlet within the discretionary movie/special environment that characterizes pay television.
- 3) A partnership with the independent programming community has the added advantage of eliminating the intrinsic conflict of interest which the conventional broadcaster would face in competing for screen time with the same viewer who is expected to continue to provide the mass audience required for the continued survival of conventional advertiser-supported television.

Few will dispute that the Canadian programming and production industries urgently require an infusion of funds.

Historic sources are at their limit.

Parliament has limited public spending through the CBC. The mandate of the CFDC is under review. Advertisers complain regularly of the high rates they are required to pay to assist private broadcasting in meeting its regulated obligations to the broadcasting system. Even the tax incentive methods of assisting the private film industry have reached their potential.

The single remaining new source is the public itself - through pay television.

Significantly, the production structure envisaged for Canadian pay tv programming requires no investment in production hardware, bricks or mortar. Physical production facilities, either privately-built or broadcaster-associated are available and so are the natural backgrounds of our streets and countryside. It will take a direct infusion of funds to the creative community to bring them to life in programs for the screen.

It is estimated by PTN that almost 80 million dollars would be generated by pay tv for Canadian production in its first five years.

To summarize this brief discussion of the producer's role in pay television we affirm that the function of pay television is to enhance, enrich and broaden viewing choice by providing increased opportunities for Canadian programming talents, and that members of CCTA/ACTC welcome a partnership for production with the independent programming community.

Before advancing our recommendation on the form of this partnership, we must now review and discuss the role of the other vital element in any process of communication - the consumer.

III. THE CONSUMING COMMUNITY

1. The Canadian cable television industry is consumer-connected in the most direct way by the voluntary payments Canadians make each month to utilize its services. Consumers have adopted a very proprietary interest in their local cable company, and as the Commission is well aware, are not reticent about making their likes and dislikes known.
2. The recent United States experience has been a dramatic response to the introduction of pay television. While viewing of conventional advertiser-supported television network programming remains high, consumers have jumped at the opportunity to subscribe to the added premium services provided by pay cable. As a consequence, United States cable television companies, accustomed to levels of consumer acceptance far less than those prevailing in Canada, have experienced rapid growth.
3. Research into viewer response in the United States shows high demand for fresh post-theatrical release movies uninterrupted by commercials, and available, like a movie theatre schedule, for multiple viewing at different periods over a period of a week or more. This research also shows that, because of the direct discretionary dollar he pays, the consumer is also much more volatile in his response to the pay tv service. Unlike his subscription to conventional cable, his pay cable dollar will be made, withdrawn and then reinstated in direct relationship to the satisfaction he receives each month from the product available. Levels of connect and disconnect are therefore high for pay television service.

4. Based on this recent U.S. experience, it is clear that while advertiser-supported television and subscriber-supported pay television will share the use of the electronic screen, there is a real distinction to be made in audience response and acceptance of them. The audience will continue to devote countless hours watching conventional television which he tends to regard as "free", while he is much more discriminating and demanding in his selection of programs for which he must pay directly. Pay television has more similarities with theatrical exhibition than it does with conventional home television, and thus viewer expectations will be higher and the requirement for a product to satisfy them will be correspondingly higher as well.

5. Finally, United States and new Canadian research (appended as part of the PTN/RTP proposal) shows that consumers generally would prefer to deal with a single company in the actual delivery of the pay television service. A single "black box", a single method of payment and a single source of service attention ensure a high acceptance of a service delivered by the existing and familiar local cable company.

The Canadian consumer will demand to have the same programming options afforded by pay tv. How then can this demand be reconciled with the interests of the Canadian creative community under the Broadcasting Act?

III. THE CABLE CONNECTION

A Marketable and Financially Sound Service

More than a hundred members of the Canadian Cable Television Association/Association Canadienne de Télévision par câble have, on the recommendation of CCTA's Long Range Planning and Policy Committee, joined together to establish PTN-Pay Television Network/RTP-Réseau de Télévision à Péage. These members have funded a company which should serve as a model for a pay television structure for Canada. The proposal of this company, which has been submitted, to the Commission may be read as the basis of a license application. It is fully endorsed by all members of CCTA/ACTC.

Our own conclusions will reinforce much of what PTN/RTP has proposed. However, our responsibility and our intent goes beyond PTN/RTP in trying to describe the interest of all cable television licensees in their role as exhibitors delivering a new cable service from whatever corporate source it originates.

1. Cable is the logical, natural delivery service for pay television. It has the cable connection and an established relationship with customers representing approximately 45% of all Canadian tv homes. It anticipates steady, continuing growth to approximately 70% of Canada. To select any other method of delivery would require subscribers to disconnect or switch from their multiple choice of conventional channels to receive the new pay channel(s).

2. Theoretically, individual cable system operators could add a pay cable service supplied by a third party, just as they carry U.S. or Canadian networks to which they have no program input, and for whose content they have no responsibility. However, we are most concerned that the organization supplying the programming is sufficiently sensitive to consumer preferences. The cable industry has come to feel more responsibility to play an active role in the broadcasting system rather than remaining the passive carrier of it. It is now possible to see that cable will become an equal contributing partner of the broadcasting system, as the Commission itself has predicted.

3. On a practical level, there are two other reasons why cable must and will become an active contributor to the new introduction of pay television.

Cable clearly has an already large investment in the plant that distributes television signals, and must continue its growth and renewal in response to public demand.

Cable system operators are increasingly held to account by the customers they serve directly, and will be even more so by the introduction of the new discretionary service.

4. For these reasons, the cable industry does not wish to sit back and retail a delivered product from an entirely independent source in which it has no investment, and over which it thus has no control. On the contrary, it wishes to meet its new responsibilities in the broadcasting system, and seeks a strong voice in the volume, quality and scheduling of the product for which it will be seeking a subscription.

5. Cable recognizes the potential for the ultimate delivery of more than one pay channel service designed to attract discriminating minorities with particular program needs. The capacities of coaxial cable, and the commitment of the cable companies to maximizing viewer choice, make multiple channel carriage both desirable and inevitable.

However, for reasons of availability of such specialized product and, the small market segments for which it would have appeal, we do not believe the introduction of a first level of pay tv service should be delayed.

We therefore recommend a single level national subscription channel with broad entertainment appeal as being the only viable alternative at this time. However, system design should provide for additional channel capacity and payment mechanisms for the future. Even in these early stages some systems may wish to utilize this capacity to provide alternate viewing times for the single service.

6. The basis of consumer appeal of pay tv service will, whether we like it or not, inevitably depend on recent, post-theatrical release of foreign product. Some will conclude that pay television holds only the potential for a further extension of foreign movie exhibition.

But it can and will do more.

It can because pay television, unlike theatrical movie exhibition, provides an equal conduit for Canadian as for foreign product. Under the monthly subscription approach, the audience is assembled in the home theatre and has already paid the price of his ticket for the combined number of attractions that month.

It will because there is general agreement on the allocation of a percentage of the gross subscriber revenue to the commissioning and acquisition of Canadian programming.

Nothing the Commission or the cable industry can do will force the consumer to watch one feature or another, but better quality programs from both sources will be automatically available.

Canadian motion picture producers complain, with justification, that the competitive demands of the market place have largely denied them outlet in Canadian movie theatres. The answer is not to build theatres restricted to the showing of domestic product. It is to guarantee the Canadian producer both funding for and access to what we are confident will be the popular, well-patronized home theatre of pay television.

7. CCTA/ACTC welcomes the participation of broadcasters as investors in a new independent programming agency to assemble, produce and acquire programming for pay television. However, we believe that majority control of the new organization should be held by cable licensees.

As we have suggested in an earlier section, the introduction of pay television represents a new and unique dimension of the broadcasting system, and will require new disciplines and new talents. Just as skill in radio programming was not necessarily adaptable to the new dimension of television, neither will skill in commercial tv programming necessarily suit the new requirements of subscriber pay television. Broadcasters and cable operators as investors will together have to search out and develop new people for a new task.

8. To view pay television as an extension of the conventional broadcasting system would be to underestimate its potential for realization of the objectives of the Broadcasting Act.

Canadians will have a right to expect something new from a pay cable subscription that they do not presently receive from the conventional system. The Commission's announcement confirms this, and we agree. That fact, coupled with the regulatory powers of the Commission, should ensure that the dangers of siphoning from or duplicating the offerings of conventional television are minimized. Clearly Canadians will not pay a premium for programming they already receive, and regulation will not permit the transfer of it from "free" to paid service.

9. Some suggest that programming for pay cable should be subject to the same, or a similar, percentage requirement of hours of Canadian content programming. This requirement has been, at best, a moderate success in increasing or maintaining the Canadian content and character of the broadcasting system. Like most regulation it has created its own loopholes, at worst in the form of time-consuming strips of low quality, generally low audience appeal, off-prime time formula programming, churned out by in-house broadcast staff and production facilities.

The content formula has done nothing to encourage or promote excellence. And excellence, albeit in smaller quantities of time, will be the prime requirement of an optional premium service. The cable industry proposes a reasonable financial formula, but it would not be prepared to market, nor would its customers be prepared to buy, a service based on present Canadian content requirements.

10. With characteristic Canadian caution, several well-meaning observers have also urged limited experimentation, possibly in the form of single market testing of response to pay television. CCTA believes this to be self-defeating. Only large-scale introduction of pay television to the largest number of potential subscribers as rapidly as possible will produce a sufficiently large base of revenues on which Canadian producers will be able to draw in order to create new, high quality Canadian programming for the service. Clearly the revenue available from a test market would not yield sufficient dollars to mount Canadian programming of sufficient volume or quality to test anything.

11. Finally, there is a vocal and visible minority that expresses the view that the introduction of pay television should be deferred indefinitely.

It is worth recalling that the introduction of the first Canadian television service was delayed four years after its availability in the United States, thereby tuning tv antennas to the border stations. The introduction of color television in Canada was delayed more than ten years after its availability in the United States, thereby increasing the attractiveness of the border stations.

At this moment, for the first time, Canada has the opportunity to start at almost the same time. Pay television in the United States is still in its formative stages, and Canadian entrepreneurs have the opportunity to contribute to its development as suppliers of programs with some bargaining position. To delay would be to lose that bargaining position. Even more disastrous would be to envisage the development of over-the-air pay tv transmitters in the U.S. border cities which could be accessed by de-scramblers available on the open market.

To those who ask "why the rush, why now?", we say "why the delay?".

The Canadian production industry needs more funds now. Our Canadian film producers need more access to the public - now. In our view, Canada has only an illusory gain from delay and much to lose.

In summary of this section, we confirm our belief in the objectives for the introduction of pay television. We urge the Government and the Commission to maintain its strong sense of realism in the approach to the structure of the system.

It will take courage and wisdom to move boldly, and to avoid the temptation of structuring a system formulated on so many rules and theories that it results in an unproducable product or an unmarketable service.

IV. RECOMMENDATIONS FOR A NATIONAL POLICY

The preceding sections have reviewed the function of a pay television system for Canada, and have offered the conclusions we draw from our analysis of the new relationships into which producers and consumers will enter through their cable company.

We now turn to the form those relationships might take within the structure of a new organization for distribution of pay television. We start with the three basic options discussed in the speech of the Minister of Communications to the CCTA/ACTC in Toronto, June 2nd, 1976.

1. The first was that of individual licensees. We agree that this option is unlikely to provide the requisite benefits to the broadcasting system, because of the lack of resources which an individual licensee could bring to bear on the objectives. While there can, and probably should, be provision for regional input at the local licensees' option, the objectives of the national broadcasting system can only be met within the framework of a single national organization.
2. The second was a consortium of cable and broadcasting operators. We agree with the Minister that this option "is worthy of careful examination", but in the past four months we have regretfully come to share the fear that such a consortium could become stillborn due to the vested interests of both participating parties. The cable industry's vested interest is clearly in the extensive and highly developed cable distribution plant, which forms the basis for the additional requirements of the pay television distribution system.

The vested interest of the broadcaster is quite apparently in the protection of its existing commercially-oriented and commercially sustained franchise rather than in the increased diversity of programming that would be available to the viewer through pay tv.

3. The third option advanced by the Minister was the establishment of a pay television distributor or network, owned and operated independently from existing off-air broadcasters or cable licensees. It is this position that the members of CCTA/ACTC favour, and it is for this reason that a number of our members have chosen to fund and support the creation of an independent programming and distribution corporation PTN-Pay Television Network Limited/RTP-Réseau de Télévision à Péage Ltée.

As the submission of PTN/RTP demonstrates, management of PTN would be independent from the operation of existing licensees of broadcast receiving undertakings. Investment in the new organization would be available to broadcasters, the independent production community and other interested parties. It would have its own Board of Directors and professional management dedicated to the success of the new programming and distribution organization.

Finally the Minister requested commentary on whether a new monopoly structure should be a public corporation or a mixed corporation involving both private and public participation. CCTA recognizes that the concept of a mixed corporation has been used in other recent forms of government enterprise.

However, the members of CCTA/ACTC question whether such an allocation of public funds commands a significant national priority, particularly in this time of budget restraint. We do not see persuasive evidence for such an investment in what will be essentially a discretionary service highly subject to market forces, and where the funding of the enterprise is already assured from the private sector.

Indeed, government funding of such a project at this time would probably result in a new storm of criticism against the government's choice of spending priorities.

Moreover, in the highly subjective world of programming judgments involving creativity, criticism and volatile audience participation we question whether direct government participation is in its own interests.

That is not to say that the public interest would not be clearly defined and represented, both through the regulatory powers of the CRTC, or if that were not deemed sufficient, through direct participation on the Board of Directors.

SUMMARY

These then are the principles CCTA/ACTC recommends for the form and function of the new organization:

- o A new privately funded national organization whose purpose would be to commission, acquire and distribute the new pay television service to all regions of Canada with production in both official languages.
- o Not less than 50% of the new organization would be held, at arm's length, by licensed cable companies with participation available in the balance to broadcasters, the creative community and other private investors.
- o Prime responsibility of the management of the new corporation would be to stimulate the independent Canadian programming community both by investment and by providing access hitherto denied them by the economics of conventional television.
- o The principal contribution to the broadcasting system would be to provide a new source of high quality subscriber-supported programming, distinct from that available on conventional television.
- o A secondary contribution to the broadcasting industry would be to make subsequent runs of such Canadian programming available for general over-the-air release at subscriber subsidized prices.
- o Existing cable plant, modified to accept pay television, is the most economical form of exhibition permitting maximum flow of consumer dollars to production.

Finally,

WE BELIEVE Canadians will welcome the opportunity to subscribe to
pay television

WE BELIEVE the service will add a significant new dimension of
Canadian programming to the broadcasting system

WE BELIEVE the interests of the producing community and the consuming
community can and must be reconciled

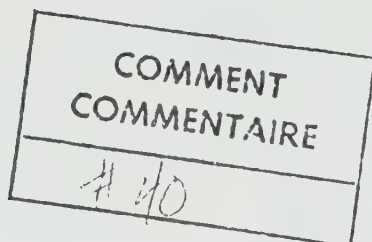
WE BELIEVE that this should be allowed to happen with the minimum
burden of governmental or regulatory restriction.

Respectfully submitted,

Ottawa,
October 1st,
1976

Canadian Cable Television Association
Association Canadienne de Télévision par câble

PAI



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September 30, 1976.

*Received - Regu
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SEP 30 1976

C. R. T. C. - Ottawa

Mr. Harry J. Boyle,
Chairman,
Canadian Radio-television
and Telecommunications Commission,
100 Metcalfe Street,
Ottawa, Ontario
K1A 0N2

Dear Sir:

The enclosed submission has been prepared by Western Coded Television Limited in response to the Canadian Radio-television and Telecommunications Commission public announcement of June 30, 1976 inviting interested parties to comment on the form and structure which might be given to pay television in Canada. Attached to our submission is a second document containing a computer simulation of the operation of the formula we have proposed to govern Pay TV pay outs to producers.

Western Coded Television Limited trusts its views on this important matter of public policy will be of assistance to the Commission.

Yours sincerely,


Torrance J. Wylic,
President.

Encl.

SUBMISSION BY

WESTERN CODED TELEVISION LIMITED

TO

CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION

RE

A PAY TELEVISION POLICY FOR CANADA

SEPTEMBER 30, 1976

D. Rae Sutherland
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PART I

PAY TV -- TELEVISION OR ALTERNATE TELEVISION?

Canadian public policy makers addressing the question of Pay TV must carefully analyze the concept and identify its essential characteristics.

To date much emphasis has been placed on the word "television" and little on the word "pay". Pay TV in fact has little in common with conventional television. True, it utilizes the same in-house terminal (the ordinary television set) and its programming can be delivered over the air in coded form and/or over cable systems which deliver other broadcast signals.

But these shared characteristics with conventional television are incidental to the nature of Pay TV and the differences between the two are much more significant.

Pay TV does not share the same revenue base as conventional television. Pay TV receives its revenues directly from the viewer who consciously and deliberately purchases the programming offered. Conventional television receives its revenue from advertisers who pay for the opportunity of adding commercial messages to programming offered freely to viewers and from government subsidies.

Conventional television is a mass media. Its programming is designed to have the widest possible appeal thereby increasing the number of viewers and its attraction to advertisers. The size of the audience each station commands day in and day out in the market place is the key to its financial viability. Pay TV, on the other hand, is not

dependent on high ratings day by day for financial viability. Its individual programs are sold to subscribers over a longer time frame in a program format which involves a great deal of repetition. Subscribers purchase Pay TV's product offering at their discretion. Viewers of conventional television receive this media's program offering as part of a mass communications process.

The programming of Pay TV and conventional television is also worth examining. Pay TV is an exhibition system for premiere entertainment produced for sale directly to the viewer. It is an electronic extension of the live box office and compensates the program owner on the basis of sales achieved. Conventional television makes freely available, on a mass basis, both programming produced for another media (films, sports) but whose live box office potential is spent or fully realized and programming produced for television itself.

On analysis it will be seen Pay TV has more in common with the purchase of premiere entertainment by the interested consumer than with the mass media which is conventional television.

Pay TV then becomes an alternate use of the television set by the consumer interested in purchasing premiere entertainment. In terms of the television set itself, Pay TV parallels the uses envisaged by video discs, video cassettes, electronic games which use the tv screen as a video display terminal, etc.

Public policy must recognize this essential characteristic of Pay TV if this new media is to realize its potential for exhibiting premiere Canadian product and provide Canadian consumers access to premiere entertainment in their homes.

PART II

PAY TELEVISION -- A WORKING DEFINITION FOR CANADA

Pay TV is essentially an exhibition system which enables interested consumers to purchase premiere entertainment in their homes and view it on an ordinary television set.

The mechanics of delivery from seller to buyer may be by adaptation of broadcast technology (whereby a coded audio-visual signal is broadcast and decoded in each subscribers home by a small attachment to the subscribers television set) or by cable casting on systems subject to CRTTC regulations. It is also conceivable that delivery be via a medium completely outside the sphere of broadcasting in Canada.

The payment system can be on a basis of a monthly charge, an individual program charge, or a combination of both. The individual program charge has certain advantages in respect of freedom of choice for the consumer and is the usual method by which premiere entertainment is purchased and sold in the marketplace. It also has definite advantages in respect of structuring a formula for paying out the portion of gross revenues to be returned to program producers.

Because of the importance to be attached to establishing a nationally regulated Pay TV service, and the importance of both individual choice and high pay outs to producers, it is argued that the definition of Pay TV which best suits Canada's needs in the following: Pay TV is a regulated exhibition system within the broadcast system which enables interested Canadians to purchase premiere entertainment in their homes on a program charge basis for viewing on the ordinary television set.

PART III

THE KEY ELEMENTS OF A NATIONAL PAY TV POLICY

A truly meritorious Pay TV policy must as a minimum harmonize the interests of consumers, Canadian program producers, and the existing broadcasting industry. Each have special needs which must be recognized and accommodated if Pay TV is to be an effective addition to the Canadian media scene.

A/ The Canadian Consumer

In the debate over Pay television little consideration has yet been given to the needs and rights of the consumer. Yet consumer acceptance is the key to establishing a truly viable Pay TV service. As a minimum, the Pay TV service ultimately decided on should ensure the following;

- i) As many Canadians as possible should be able to access the service -- This requires that the service be delivered to the limits of the broadcast system rather than the cable system. Failure to provide for this will result in Pay TV being another service more readily available in urban and suburban areas of the country thereby contributing to the inequalities between urban and rural Canada which are a factor in excessive depopulation of rural areas. Such a result would be doubly ironical, for it is precisely in the less populated

regions of the country where little opportunity exists for purchase of out-of-home premiere entertainment that Pay TV is most attractive.

- (ii) Individuals should be free to purchase or not purchase individual program offerings -- For the consumer this is the key characteristic of premiere entertainment. At present his consumption of premiere entertainment out-of-the-home is on an individual program charge basis and he should be free to continue this deliberate approach in respect of Pay TV's program offerings.
- (iii) Individuals should be free to choose the Pay TV service separate from existing cable services -- It would be a near scandalous abuse of consumer rights to require Canadians interested in Pay TV to first be subscribers to existing cable services. Many Canadians will want both, but the individual must be free to choose.

B/ The Canadian Producer

The Canadian producer must be ensured access to and a high pay out from the exhibition system Pay TV will embody.

- (i) Access -- The biggest handicap the Canadian producer has worked under over the years is access to the full market for premiere Canadian product. This handicap goes beyond difficulties and constraints involved in getting good access on favourable terms to movie theatre exhibition systems now in place in Canada to

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the realities of the movie exhibition system itself which is dominated by the fact that movie attendance is more and more confined to young adults consciously seeking out-of-the-home entertainment. This is perhaps best illustrated by referring to the trend in the number of paid admissions to regular movie theatres in the 23 years between 1951 and 1974. Paid admissions totalled 239,133,000 in 1951; in 1974 they totalled 79,020,000. Ensuring access to the Pay TV exhibition system is therefore much more than an alternative to the existing movie theatre chains -- it will allow premiere Canadian product access to a larger market than the movie theatre system now has.

- (ii) Payouts to Canadian Producers -- A variety of "formulas" exist in association with Pay TV proposals whereby Canadian producers would receive part of the proceeds realized by a Pay TV service. Unfortunately most are, in effect, a "buy-off" whereby a set percentage (usually in the range of 15 - 20%) of the total revenues of the pay service would be channelled to Canadian production. Under this approach these percentages would flow to the Canadian production industry without reference to the quantity, quality or appeal of Canadian product exhibited in the Pay TV service.

The Canadian producer deserves better! He should first of all be compensated in relation to consumer acceptance of his product. Those who produce the best premiere product should be compensated proportionately more than those whose product is less popular. Under this approach, successful producers would receive a large enough pay back to continue their work and constantly improve their production skills and capacity.

A fixed proportion (45%) of total Pay TV sales should be reserved for pay out to producers. But the Canadian producer should receive a greater proportion of each sales dollar his product earns on Pay TV than the producer of foreign product. Applying this principle will result in very high pay outs to Canadian producers and provide a cash flow which will allow for steady expansion. As the percentage and sales of Canadian products exhibited increases, the pay out per dollar earned will decrease but at no time will it be less than 45% of sales and under our proposed formula this low is reached only when the system is exhibiting 100% Canadian product!

C/ The Canadian Broadcaster and Cablecaster

The interest of the broadcaster and cablecaster comes after that of the consumer and the producer in this submission because, quite simply, Pay television is a new media and not an

extension of the broadcast system. It is quite conceivable for Pay TV to come into being completely outside the scope of broadcasting. This can happen at present over close-circuit systems and the evolution of non-broadcast communications technology (eg. fibre optics) makes it even more feasible in the future. Similarly the evolution of over-the-air communications technology via satellite can outflank the present broadcasting system's relevance to making an in-house Pay TV service available to Canadians.

It would be desirable however to allow existing broadcasters and cablecasters to participate in Pay TV. There should be no restriction on their right to seek (jointly, severally, severally with others) licenses to be exhibitors of Pay TV programming. In addition, whoever is given the opportunity to exhibit Pay TV programming in any given market should be free to contract for a transmission service from an existing broadcaster and to contract the in-house service requirements of Pay TV to cable companies licensed and organized to serve the same area.

To the extent that a Pay TV service fragments the existing audience for broadcasters, some compensation should be provided directly out of revenues of Pay TV. If the pay programming is sold on a program charge basis; it will be relatively easy to identify the precise amount of television set time devoted to Pay TV viewing and compensate broadcasters accordingly.

Siphoning of programs from conventional television is potentially the greatest single negative effect of this new media on conventional television. Very restrictive rules are required on this point and they should be coupled with administrative mechanisms which ensure the rules are fully respected. On this point, it should be noted that pay programming exhibited via a service offering sold on a monthly charge basis is more likely to have exhausted its "box office" potential and more likely to be subject to competition for viewing rights between Pay TV and conventional tv. Programming sold on a per program charge basis is more likely to still have box office potential and be shown well before the point in time such programming passes into conventional television.

Finally, one should note some positive if indirect benefits Pay TV would generate for broadcasters. First, a good exhibition system using the individual program charge approach will greatly expand the financial return to producers of high quality programs and through reinvestment by producers greatly expand the stock of such product. As all such product eventually finds its way into conventional television and is among the most popular programs on conventional television, this indirect benefit will be of real consequence to broadcasters. This is especially relevant when, as at present, live box office revenues are not keeping pace with the cost of producing premiere entertainment. In the absence of extending the "box office" reach of premiere entertainment either out-of-

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home box office prices will have to increase accordingly or less premiere product will be available or both will occur. Secondly, to the extent that the Pay TV policy creates, expands and strengthens a feature film industry in Canada conventional television will benefit by drawing on the expertise so developed to assist in the production of more and better Canadian programs for viewing on conventional television.

PART IV

A PAY TELEVISION POLICY FOR CANADA

A/ Concept and Structures

Our challenge is to link producer, distributor, exhibitor and consumer of premiere entertainment in a continuous chain which equitably apportions the revenues generated by Pay TV. The solution lies in carefully defining the real needs of each link.

The consumer must obviously be free to subscribe or not subscribe to the Pay TV service. Additionally, he should be free to purchase or not purchase individual program offerings exhibited by the service. In this way the marketplace will be the real arbiter of what is premiere product and the producers of such product compensated accordingly. The program charge approach also allows for more and greater variety of product to be exhibited.

The exhibitor should hold a class of broadcast license issued by the CRTTC and as a condition of license should be required to reserve a certain proportion of total exhibition time for Canadian product. This proportion will necessarily be low at the outset but should increase by stages to reach at least 50%. Further the exhibitor should be required to obtain all but local product (which must be carefully defined) from either or both of the two national distribution companies which would be established and regulated to provide French and English language product to distributors.

Under our model the exhibitor would retain 45% of sales as his income to finance operations, capital investment and profit. The balance (55%) would be passed through to the central distribution company.

Depending on frequency availabilities, size of market, and linguistic balances within the market, one English language and one French language Pay TV exhibitors license or a combination thereof should be made available in each market. This will have the effect of:

- ensuring that a pay television service would be available to as many Canadians across the country as is economically possible;
- extending the financial opportunity pay television represents for investor groups;

-- ensuring maximum sensitivity to the local market demand for pay television programming (as most of the programming exhibited on pay television will be on film, the local licensee can and should maintain maximum flexibility over selection and scheduling of programming).

The corporations established to act as French and English language program distributors should be service corporations acting in support of the needs and responsibilities of the exhibitors and the producers. The distribution companies would not be profit centres and would retain out of the gross revenues of the Pay TV service only that proportion of funds (estimated at 10%) required to cover their costs of operation. They are probably best structured as Crown Corporations or Agencies with representation of exhibitors, producers and consumers on their Boards.

They should hold a Pay TV network license from the CRTTC and be responsible to the Commission for the following activities.

- 1) Assembling the premiere product (domestic and foreign) that exhibitors draw from in arranging their exhibition schedules.
- 2) Classifying all premiere product in terms of its Canadian content. (It is recognized that premiere product will in fact have varying degrees of Canadian content.)

- 3) Ensuring that the program bank contains sufficient product to enable the exhibitors to meet the Canadian content conditions of their exhibitor license.
- 4) Administer the anti-siphoning provisions established by the Commission to protect conventional broadcasters.
- 5) Show cause for excluding any eligible Canadian premiere product from the program bank exhibitors draw on to program their systems.
- 6) Keep 10% of the gross revenues from Pay TV and administer the pay out formula which governs the 45% which goes to producers.
- 7) Administer the fragmentation compensation formula established to compensate conventional broadcasters.
- 8) Provide network distribution services for premiere events that are sold live or exhibited simultaneously across the country.
- 9) Assist in the international sale of premiere Canadian product.

Turning to the producer, the chain we are describing greatly strengthens his position without subjecting him to regulation, control or direction by the distribution companies created. The benefits accruing to the Canadian producer of premiere entertainment under our proposal are:

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- (i) guaranteed access to the program bank which exhibitors draw from to program their systems;
- (ii) access to the consumer as a result of the condition of the exhibitor license which requires that a proportion of all program offerings be Canadian;
- (iii) further, any producer who feels that his program has not been given adequate "play" by exhibitors would be free to lease an exhibition system for the purpose of obtaining direct access to the consumer thereby determining the program's appeal in the marketplace;
- (iv) a very high pay back on each dollar his product earns on Pay TV -- as noted earlier the minimum pay back to Canadian producers would be 45¢ on each dollar earned and this would occur only when a system is exhibiting 100% Canadian content.

It is argued that the access to the consumer and the pay out envisaged in our proposed Pay TV policy would, taken in conjunction with the tax treatment of funds invested in feature films and the role of the Canadian Film Development Corporation, be sufficient to stimulate production in Canada to the degree required to ensure a steadily increasing amount of quality product will be available for exhibition via Pay TV.

B/ Pay Ins

The total amount of money generated by Pay Television will be a function of the number of subscribers and the total value of purchases by subscribers.

Those who advocate pay programming be exhibited over cable via a pay channel sold on a monthly subscription of \$8.00 see penetration rates reaching 30% of existing cable subscribers or approximately 1,000,000 cable homes and generating roughly \$100,000,000 of gross revenues.

If the Commission opts for a delivery system which will access all of Canada's near 7,000,000 television homes and the same penetration rate is achieved, the total number of subscribers would be doubled as would the gross revenues realized.

The effect of an individual program charge system must also be considered. Guidance is available on this point in the thorough analysis of the first two years (June 1962 - June 1964) of an "over-the-air" pay television experiment in Hartford, Connecticut as reported in the Joint Comments of Zenith Radio Corporation and Teco Incorporated in Support of Petition for Nation-wide Authorization of Subscription Television before the Federal Communications Commission, Washington, D.C. in March of 1965. The data compiled in this study indicated that subscribers purchased an average of one program per week

at an average price of \$1.20. Given the escalation in the price of out-of-the-home premiere entertainment in the past 12 years and the greater program choice a National Pay TV System would generate, it is safe to conclude the individual program charge approach would result in at least one sale per week per subscriber at an average price of at least \$2.00 thereby generating at least the \$8.00 per month per subscriber envisaged by Pay Cable proponents.

The total revenues from Pay TV sold on a program charge and made available to all TV households would therefore be closer to \$200,000,000 annually at 30% penetration levels and would be approximately \$100,000,000 with a penetration rate of only 15%.

C/ Pay Outs (Assuming individual program charge approach)

The exhibitor keeps 45¢ of each dollar of sales to cover investment, operating costs and profits and remits 55¢ to the central distribution company.

The central distribution company keeps 10¢ to cover its operating costs and pays out 45¢ to producers.

The formula proposed to govern pay out to producers is as follows:

- 1) Foreign product receives a flat 25¢ on each dollar earned by it in the exhibition cycle.
- 2) The 20¢ not paid out to foreign producers is retained in a pool which is used to bonus the pay out to Canadian producers.

- 3) Canadian product receives a basic pay out of 45¢ of each sales dollar earned by it plus a variable bonus pay out. The variable bonus pay out is related to the size of the pool available for pay out which in turn is related to the earnings of foreign product as a percentage of total earnings of the Pay TV service.

The operation of the formula is illustrated in the following examples all of which assume gross annual Pay TV sales of \$100,000,000:

Example 1: 10% of gross earnings attributable to sales of Canadian product; 90% attributable to sales of foreign product.

1. Earnings of Foreign product	=	90,000,000
2. 25% pay out to Foreign producers	=	22,500,000
3. 20% held in bonus pool	=	18,000,000
4. Earnings of Canadian product	=	10,000,000
5. 45% pay out to Canadian producers	=	4,500,000
6. Bonus pay out to Canadian producers (line 3)	=	18,000,000
7. Total pay out to Canadian producers	=	22,500,000
8. Pay out to Canadian producer per dollar of sales of Canadian product	=	2.25

Example 2. 25% of gross earnings attributable to sales of Canadian product; 75% attributable to sales of Foreign product.

1. Earnings of Foreign product	=	75,000,000
2. 25% pay out to Foreign producers	=	18,750,000
3. 20% held in bonus pool	=	15,000,000
4. Earnings of Canadian product	=	25,000,000
5. 45% pay out to Canadian producers	=	11,250,000
6. Bonus pay out to Canadian producers (line 3)	=	15,000,000
7. Total pay out to Canadian producers	=	26,250,000
8. Pay out to Canadian producers per dollar of sales of Canadian product	=	1.05

Example 3. 50% of gross earnings attributable to sales of Canadian product, 50% attributable to sales of Foreign product.

1. Earnings of Foreign product	=	50,000,000
2. 25% pay out to Foreign producers	=	12,500,000
3. 20% held in bonus pool	=	10,000,000
4. Earnings of Canadian product	=	50,000,000
5. 45% pay out to Canadian producers	=	22,500,000
6. Bonus pay out to Canadian producers (line 3)	=	10,000,000
7. Total pay out to Canadian producers	=	32,500,000
8. Pay out to Canadian producers per dollar of sales of Canadian product	=	0.65

... /20

Example 4. 75% of gross earnings attributable to sales
 of Canadian product, 25% attributable to sales
 of Foreign product.

1. Earnings of Foreign product	=	25,000,000
2. 25% pay out to Foreign producers	=	6,250,000
3. 20% held in bonus pool	=	5,000,000
4. Earnings of Canadian product	=	75,000,000
5. 45% pay out to Canadian producers	=	33,750,000
6. Bonus pay out to Canadian producers (line 3)	=	5,000,000
7. Total pay out to Canadian producers	=	38,750,000
8. Pay out to Canadian producers per dollar of sales of Canadian product	=	0.52

The authors of this submission are indebted to Professor Hugh Edmunds of the Communications Department of the University of Windsor for having researched and developed the formula governing pay outs to producers described above. A detailed computer print out illustrating the operation of this formula is enclosed with the submission.

PART V

THE URGENCY OF A NATIONAL PAY TV POLICY IN CANADA

The CRTC has sporadically over the years devoted some attention and thought to Pay TV without reaching other than implied conclusions about its importance or urgency as a new media on the Canadian scene. There are at least two reasons why the current interest of policy makers should be sustained to the point of reaching firm conclusions about the nature and form Canada's Pay TV service should have. They are

- a) The importance of establishing a national regulated system -- Pay TV exists and is growing in Canada today. It is available in hotels, in apartments and at least one provincial government wants to make it widely available to households. If this patchwork quilt approach continues and increases, the market for Pay TV will be served with no significant contribution to the expression on film of the Canadian experience and culture. It is imperative that an equitable and respectful relationship be structured between producers, distributor, exhibitor, consumer within a total Pay TV System. Only prompt action using communication technology clearly within federal jurisdiction will bring about such a relationship. Undue delay can jeopardize ever having a truly National Pay TV System in Canada.

- b) Developments in the U.S. -- Pay TV is the fastest growing media in the U.S. Nearly 1,000,000 homes now subscribe to Pay Cable and over-the-air Pay TV will soon burst onto the scene. The effect of this new media on premiere entertainment will be considerable and ultimately Pay TV will be the dominant factor in the production of premiere entertainment. If Canada delays the establishment of a National Pay TV Service, we once again run the risk of being at the end of a powerful distribution and exhibition system for U.S. product. If we act in the proper time frame vis-a-vis the U.S., we have the opportunity of programming our Pay TV system with Canadian product and being a source of supply for U.S. Pay TV Systems.

PART VI

CONCLUSIONS

In summary, the authors of this submission have reached the following conclusions about Pay TV:

- A national regulated Pay TV service should be introduced in Canada as soon as possible;
- Pay TV should be available to as many TV households as possible;
- Pay TV programs should be sold on an individual program charge basis;
- Canadian producers should have guaranteed access to Pay TV exhibition systems;
- The pay out to Canadian product expressed as a percentage of sales should be higher than that to foreign product. It is suggested that Canadian product receive at least 45% of sales earned by it and that foreign product receive no more than 25% on sales earned by it;
- Two classes of license should be established to control the implementation of Pay television. A distributor's license to set the conditions under which programming is assembled for use by exhibitors and related policies administered; and an exhibitor's license to control the conditions under which programming is exhibited. A maximum of two distributor licenses would be issued, one for French and one for English language programming. One or two exhibitor's licenses would be available per Pay TV market depending on frequency availabilities, size of market, relationship of French to English household, etc.

A NOTE ON WESTERN CODED TELEVISION LIMITED

Western Coded Television Limited is a Canadian company with its head office at 10310 Jasper Avenue, Edmonton, Alberta and executive offices at Suite 805, 350 Sparks Street, Ottawa.

Western Coded Television, since its inception, has actively researched and assessed the feasibility of a pay television service for Canada. Its focus in the past year or so has been on the technology required for the operation of a pay television service and the company holds exclusive rights in Canada to the pay TV system of Pay Television Corporation, 390 Plandome Road, Manhasset, New York. Pay Television Corporation's patented system is based on coded broadcasting technology and was originally developed by Zenith Radio Corporation and further refined by Systems Development Corporation of Santa Monica, California. The preproduction engineering of this pay TV system has just recently been completed at Electrohome Industries Ltd. of Kitchener, Ontario. Manufacturing of decoders for use in the U.S. market is expected to commence later this year and the system is currently available for demonstration viewing.

The system can function over-the-air or over cable and has the ability to bill subscribers on a fiat monthly basis or an individual program basis or a combination of both.

Mr. D. Rae Sutherland, B.Sc., P. Eng. is Chairman of Western Coded Television Limited and Chairman of Pay Television Corporation. Mr. Sutherland is also Chairman of Canadian Engineering Surveys Co. Ltd., Mystery Lake Broadcasting Co. Ltd. and CVSM TV Ltd.,

Mr. Torrance J. Wylie is President of Western Coded Television Ltd. and also President of P.A.I. Public Affairs International Ltd., an Ottawa based management consulting firm.

Computer simulation of formula governing
pay outs to producers proposed in
Western Coded Television Limited;
Submission of September 30, 1976 to
Canadian Radio-Television and Tele-
communications Commission on the Form
and Structure of a Pay TV Policy for
Canada.

SENTRY

PAY-TV PAY CUTS

*
* PAY-TV PAY CUTS *
*

ASSUMING 25 PERCENT PAY OUT TO FOREIGN CONTENT AND 45 PERCENT TO CANADIAN CONTENT

IF 5.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$3.47	RACK.
IF 10.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$1.87	RACK.
IF 15.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$1.36	RACK.
IF 20.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$1.07	RACK.
IF 25.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.93	RACK.
IF 30.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.82	RACK.
IF 35.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.75	RACK.
IF 40.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.67	RACK.
IF 45.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.65	RACK.
IF 50.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.61	RACK.
IF 55.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.58	RACK.
IF 60.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.56	RACK.
IF 65.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.54	RACK.
IF 70.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.52	RACK.
IF 75.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.50	RACK.
IF 80.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.47	RACK.
IF 85.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.48	RACK.
IF 90.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.47	RACK.
IF 95.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.46	RACK.
IF 100.0 PERCENT	CDN REVENUE	THEN FOR EACH \$1.00	EARNED BY THE PROGRAM	THE PRODUCER	GETS \$0.45	RACK.

C.40E 01	*
O.36E 01	+
O.32E 01	*
C.28E 01	*
C.24E 01	*
O.20E 01	+
O.16E 01	*
O.12E 01	+
C.80E 00	+
O.40E 00	+
-O.00E 00	*

OR IN OTHER WORDS
=====

IF	5.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 775.6 PERCENT	OF THEIR SHARE
IF	10.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 420.7 PERCENT	OF THEIR SHARE
IF	15.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 301.5 PERCENT	OF THEIR SHARE
IF	20.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 242.2 PERCENT	OF THEIR SHARE
IF	25.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 206.7 PERCENT	OF THEIR SHARE
IF	30.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 183.0 PERCENT	OF THEIR SHARE
IF	35.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 166.0 PERCENT	OF THEIR SHARE
IF	40.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 153.3 PERCENT	OF THEIR SHARE
IF	45.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 143.5 PERCENT	OF THEIR SHARE
IF	50.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 135.6 PERCENT	OF THEIR SHARE
IF	55.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 129.1 PERCENT	OF THEIR SHARE
IF	60.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 123.7 PERCENT	OF THEIR SHARE
IF	65.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 119.1 PERCENT	OF THEIR SHARE
IF	70.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 115.2 PERCENT	OF THEIR SHARE
IF	75.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 111.9 PERCENT	OF THEIR SHARE
IF	80.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 108.9 PERCENT	OF THEIR SHARE
IF	85.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 106.3 PERCENT	OF THEIR SHARE
IF	90.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 104.0 PERCENT	OF THEIR SHARE
IF	95.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 101.0 PERCENT	OF THEIR SHARE
IF	100.0	PERCENT OF GROSS REVENUE	IS DUE TO CDN PROGRAMS	THEN CDN PRODUCERS	GET 100.0 PERCENT	OF THEIR SHARE

* 0.20E-01 * 0.12E 00 0.32E 00 0.42E 00 0.52E 00 0.62E 00 0.72E 00 0.82E 00 0.92E 00 1
* XMAX = 0.10000E 01 XMIN = 0.50000E-01 YMAX = 0.775E 03 YMIN = 0.10000E 03 XINCR = 0.10000E-01 YINCR = 0.20000E 02

CORE USAGE OBJECT CODE= 7400 BYTES.ARRAY AREA= 1396 BYTES.TOTAL AREA AVAILABLE= 1997.4 BYTES
DIAGNOSTICS NUMBER OF ERRORS= 0. NUMBER OF WARNINGS= 0. NUMBER OF EXTENSIONS= 2
COMPILE TIME= 2.84 SEC.EXECUTION TIME= 17.02 SEC. WATFIV - JUL 1973 VIL4 13.33.45 MONDAY 27 SEP 76



(PAY-DEF-PROGRAM SIMULATION)

REVENUE SHARES OF JEDS BOX OFFICE

PROGRAM BY HUGH EDWARDS

THIS SET OF TABLES BASED ON SHARE TO

PROGRAMS = 45.0 PERCENT
NETWORK = 10.0 PERCENT
LOCAL AREA = 45.0 PERCENT

GROSS BOX OFFICE REVENUE = \$10.0 MILLION

PAY OUT TO FOREIGN PRODUCER = 25.0 PERCENT OF BOX OFFICE
FOREIGN PRODUCER INVESTMENT CREDIT = 0.0 PERCENT

CONSTRUCTION CONTRACT - 100 PERCENT - 100 PERCENT - 100 PERCENT

CONTRACT NO.	CONTRACT VALUE	CONTRACT TYPE	CONTRACT DATE	CONTRACT STATUS	CONTRACT DESCRIPTION	CONTRACT LOCATION	CONTRACT OWNER	CONTRACT CONTRACTOR	CONTRACT SUBCONTRACTOR	CONTRACT SCHEDULE	CONTRACT BUDGET	CONTRACT ACTUAL	CONTRACT VARIANCE	CONTRACT COMMENTS
10	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT
11	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT
12	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT
13	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT
14	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT
15	25.000	CONSTRUCTION	10/1/70	COMPLETED	CONSTRUCTION OF 100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT	100 PERCENT

CONTRACT VALUE TO CANADIAN PRODUCERS = ***** TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OF ***** PERCENT OF PRODUCE

BOX OFFICE TO CANADIAN PRODUCERS = 45.000 MILLION

CONTRACT VALUE TO CANADIAN PRODUCERS = 15.00

CONTRACT INVESTMENT FUND FOR CANADIAN PRODUCTION = 4.00

CONTRACT INVESTMENT FUND FOR CANADIAN PRODUCTION = 1.00

CONTRACT INVESTMENT FUND FOR CANADIAN PRODUCTION = 1.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PRODUCE = 5.0000 MILLION OR 20.0 PERCENT OF PRODUCE

TOTAL CHECK = 1.0000 MILLION

CON RATIO NET TO L7C	FOREIGN EXPENSE	GROSS COPY	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET PRDP BASIC	NET PRDP W/INCENT	LOCAL PRDP BASIC	LOCAL PRDP W/INCENT
10	22,500	18,000	10,000	11,645	45,000	45,000	4,500	17,460	0,000	0,000
9	22,500	18,000	10,000	11,206	45,000	45,144	4,050	15,714	0,000	1,765
8	22,500	18,000	10,000	11,152	45,000	45,288	3,600	13,068	0,000	3,492
7	22,500	18,000	10,000	11,008	45,000	45,432	3,150	12,222	1,350	5,238
6	22,500	18,000	10,000	10,864	45,000	45,576	2,700	10,476	1,800	6,084
5	22,500	18,000	10,000	10,720	45,000	45,720	2,250	8,720	2,250	8,720

BONUS FACTOR TO CANADIAN PRODUCERS = 2.88 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 174.6 PERCENT OF GROSS REVENUES

BOX OFFICE TO CANADIAN PRODUCERS = 4.50 MILLION

COPY INCENTIVE TO CANADIAN PRODUCERS = 12.06

COPY INVESTMENT FUND FOR CON PRODUCTION = 3.50

OPERATORS FUND FOR CON PRODUCTION = 2.72

FOREIGN PRODUCERS INVESTMENT FOR CON PRODUCTION = 2.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$21.78 MILLION OR 21.2 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$10,000 MILLION

TABLE NO. 1

CANADIAN CONTENT = 20.0 PERCENT FOREIGN CONTENT = 30.0 PERCENT

CON RATIO NET TO GROSS	PRODUCTION EXPENSE	GROSS PRICE	NETWORK % INCENT	NETWORK W/INCENT	LOCAL % INCENT	LOCAL W/INCENT	NET GROSS BASIC	NET DEBIT W/INCENT	LOCAL GROSS BASIC	LOCAL DEBIT W/INCENT
10	20.000	16.000	10.000	12.500	45.000	45.000	9.000	10.000	9.000	0.000
9	20.000	16.000	10.000	12.304	45.000	45.000	9.010	17.316	9.000	1.000
8	20.000	16.000	10.000	12.048	45.000	45.000	7.200	15.702	1.000	5.000
7	20.000	16.000	10.000	11.792	45.000	45.000	6.300	13.468	2.700	5.770
6	20.000	16.000	10.000	11.536	45.000	45.000	5.400	11.544	3.600	7.600
5	20.000	16.000	10.000	11.280	45.000	45.000	4.500	9.620	4.500	9.620

BONUS FACTOR TO CANADIAN PRODUCERS = 2.14 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OF 96.2 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 9.00 MILLION

CPIE INCENTIVE TO CANADIAN PRODUCERS = 10.24

CPIE INVESTMENT FUND FOR CON PRODUCTION = 3.20

OPERATORS FUND FOR CON PRODUCTION = 1.28

FOREIGN PRODUCERS INVESTMENT FOR CON PRODUCTION = 0.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 27.72 MILLION OF 27.7 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE 10. 1

CDN RATIO NET TO -30	FOREIGN EXPENSE	GROSS CPIF	CANADIAN CONTENT = 30.0 PERCENT		FOREIGN CONTENT = 70.0 PERCENT	
			NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT
10	17.500	14.000	10.000	17.350	45.000	45.000
9	17.500	14.000	10.000	13.024	45.000	45.000
8	17.500	14.000	10.000	12.688	45.000	45.000
7	17.500	14.000	10.000	12.352	45.000	45.000
6	17.500	14.000	10.000	12.016	45.000	45.000
5	17.500	14.000	10.000	11.680	45.000	45.000

BONUS FACTOR TO CANADIAN PRODUCER = 1.58 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OF 71.1 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 13.50 MILLION

CPIF INCENTIVE TO CANADIAN PRODUCERS = 7.84

CPIF INVESTMENT FUND FOR CDN PRODUCTION = 2.80

OPERATORS FUND FOR CDN PRODUCTION = 1.68

FOREIGN PRODUCERS INVESTMENT FOR CDN PRODUCTION = 3.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 25.82 MILLION OR 25.8 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE NO. 5

CON RATIO NET TO .00		CANADIAN CONTENT = 40.0 PERCENT			FOREIGN CONTENT = 60.0 PERCENT		
		FOREIGN EXPENSE	GROSS COPY	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT
10	C	15.000	12.000	10.000	13.840	45.000	45.000
9	1	15.000	12.000	10.000	13.456	45.000	45.384
8	2	15.000	12.000	10.000	13.072	45.000	45.768
7	3	15.000	12.000	10.000	12.688	45.000	46.152
6	4	15.000	12.000	10.000	12.304	45.000	46.536
5	5	15.000	12.000	10.000	11.920	45.000	46.920

BONUS FACTOR TO CANADIAN PRODUCERS = 1.32 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 59.4 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 18.00 MILLION

COPY INCENTIVE TO CANADIAN PRODUCERS = 5.76

COPY INVESTMENT FUND FOR CDN PRODUCTION = 2.40

OPERATORS FUND FOR CDN PRODUCTION = 1.92

FOREIGN PRODUCERS INVESTMENT FUND FOR CDN PRODUCTION = 0.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 28.08 MILLION OF 28.1 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE 110.1

CANADIAN CONTENT = 50.0 PERCENT				BROADCASTING CONTENT = 50.0 PERCENT						
CDN RATIO NET TO LGC	FOREIGN EXPENSE	GROSS COPIF	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET DEBIT BASIC	NET DEBIT W/INCENT	LOCAL DEBIT BASIC	LOCAL DEBIT W/INCENT
10	12.500	10.000	10.000	14.000	45.000	45.000	22.500	26.500	0.000	0.000
9	12.500	10.000	10.000	13.600	45.000	45.000	20.250	23.850	0.000	0.000
8	12.500	10.000	10.000	13.200	45.000	45.000	18.000	21.200	4.000	5.300
7	12.500	10.000	10.000	12.800	45.000	45.000	15.750	18.850	6.750	7.050
6	12.500	10.000	10.000	12.400	45.000	45.000	13.500	15.900	9.000	10.600
5	12.500	10.000	10.000	12.000	45.000	45.000	11.250	13.250	11.250	13.250

BONUS FACTOR TO CANADIAN PRODUCER = 1.18 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 53.0 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS =

\$ 22.50 MILLION

COPIF INCENTIVE TO CANADIAN PRODUCERS =

4.00

CPIF INVESTMENT FUND FOR CDN PRODUCTION =

2.00

OPERATORS FUND FOR CDN PRODUCTION =

2.00

FOREIGN PRODUCERS INVESTMENT FOR CDN PRODUCTION =

0.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 30.50 MILLION OR 30.5 PERCENT OF GROSS RECEIPTS

TOTAL CHECK = \$ 100.00 MILLION

TABLE NO. 7

CANADIAN CONTENT = 60.0 PERCENT FOREIGN CONTENT = 40.0 PERCENT

CON RATIO NET TO GROSS	FOREIGN EXPENSE	GROSS CPIF	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET PERCENT BASIC	NET PERCENT W/INCENT	LOCAL PERCENT BASIC	LOCAL PERCENT W/INCENT
10	10,000	8,000	10,000	13,340	45,000	45,000	27,000	20,540	0,000	0,000
9	10,000	8,500	10,000	13,455	45,000	45,344	24,300	26,674	2,700	2,353
8	10,000	9,000	10,000	13,572	45,000	45,728	21,600	27,643	5,000	5,012
7	10,000	9,500	10,000	12,688	45,000	46,152	19,000	20,602	8,100	8,368
6	10,000	9,000	10,000	12,304	45,000	46,536	16,200	17,736	10,500	11,824
5	10,000	8,000	10,000	11,320	45,000	46,020	13,500	14,780	13,500	14,780

BONUS FACTOR TO CANADIAN PRODUCER = 1.00 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE TO 49.3 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 27.00 MILLION

CPIF INCENTIVE TO CANADIAN PRODUCERS = 2.56

CPIF INVESTMENT FUND FOR CON PRODUCTION = 1.50

OPERATORS FUND FOR CON PRODUCTION = 1.92

FOREIGN PRODUCERS INVESTMENT FOR CON PRODUCTION = 3.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 33.08 MILLION OR 33.1 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE NO. 2

CDN PATR NET TO CDC	FOREIGN EXPENSE	GROSS CPIE	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET GROSS BASIC	NET PROFIT W/INCENT	LOCAL PROFIT BASIC	LOCAL PROFIT W/INCENT
10	7.500	6.000	10.000	12.360	45.000	46.000	31.500	32.000	0.000	0.000
9	7.500	6.000	10.000	13.020	45.000	45.330	29.750	29.640	3.150	3.200
8	7.500	6.000	10.000	12.580	45.000	45.670	28.200	28.350	6.700	6.580
7	7.500	6.000	10.000	12.750	45.000	45.000	22.000	22.050	0.000	0.000
6	7.500	6.000	10.000	12.010	45.000	45.300	18.000	19.760	12.600	12.170
5	7.500	6.000	10.000	11.590	45.000	45.680	15.750	16.070	15.750	16.470

BONUS FACTOR TO CANADIAN PRODUCERS = 1.05 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 47.1 PERCENT OF GROSS REVENUES

BOX OFFICE TO CANADIAN PRODUCERS = \$ 31.50 MILLION

CPIE INCENTIVE TO CANADIAN PRODUCERS = 1.44

CPIE INVESTMENT FUND FOR CDN PRODUCTION = 1.20

OPERATORS FUND FOR CDN PRODUCTION = 1.68

FOREIGN PRODUCERS INVESTMENT FOR CDN PRODUCTION = 0.00

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 35.82 MILLION OF 35.8 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE NO. 2

EMERSON CONTENT = 20.0 PERCENT

CDN RATIO NET TO GROSS	FOREIGN EXPENSE	GROSS CDP	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET GROSS BASIC	NET PROFIT W/INCENT	LOCAL PROFIT BASIC	LOCAL PROFIT W/INCENT
10	5.000	4.000	10.000	12.500	45.000	45.000	46.000	26.600	0.000	0.000
9	5.000	4.000	10.000	12.300	45.000	45.200	37.400	22.076	3.500	3.661
8	5.000	4.000	10.000	12.100	45.000	45.400	28.200	20.312	7.000	7.320
7	5.000	4.000	10.000	11.900	45.000	45.600	25.200	25.600	10.000	10.900
6	5.000	4.000	10.000	11.700	45.000	45.800	21.600	21.800	14.000	14.556
5	5.000	4.000	10.000	11.500	45.000	46.000	18.000	18.200	18.000	18.320

45.0 PERCENT OF RECEIPTS

BOX OFFICE NO

PERCENT OF TOTAL BOX OFFICE NO

45.0 PERCENT

OF TOTAL BOX OFFICE NO

45.0 PERCENT OF RECEIPTS

45.0 PERCENT OF RECEIPTS

BONUS FACTOR TO CANADIAN PRODUCERS = 1.00 TIMES

\$ 36.00 MILLION

BOX OFFICE TO CANADIAN PRODUCERS =

0.64

CDP INCENTIVE TO CANADIAN PRODUCERS =

0.80

CDP INVESTMENT FUND FOR CDN PRODUCTION =

1.28

OPERATORS FUND FOR CDN PRODUCTION =

3.00

FOREIGN PRODUCERS INVESTMENT FOR CDN PRODUCTION =

1.72

TOTAL MONIES FOR CANADIAN PRODUCERS AND PROGRAMS = \$ 18.72 MILLION OR 20.7 PERCENT OF GROSS REVENUES

TOTAL CHECK = \$ 100.00 MILLION

TABLE NO. 10

CON NET TO	RATIO TO	CANADIAN CONTENT = 90.0 PERCENT				FOREIGN CONTENT = 10.0 PERCENT					
		FOREIGN EXPENSE	GROSS COPY	NETWORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET COPY BASIC	NET COPY W/INCENT	LOCAL COPY BASIC	LOCAL COPY W/INCENT
10	0	2.500	2.000	10.000	11.440	45.000	45.000	40.500	40.500	0.000	0.000
9	1	2.500	2.000	10.000	11.206	45.000	45.144	36.450	36.594	0.000	4.066
8	2	2.500	2.000	10.000	11.152	45.000	45.288	32.400	32.544	0.000	8.132
7	3	2.500	2.000	10.000	11.008	45.000	45.432	28.350	28.492	12.150	12.100
6	4	2.500	2.000	10.000	10.864	45.000	45.576	24.300	24.396	16.200	16.264
5	5	2.500	2.000	10.000	10.720	45.000	45.720	20.250	20.330	20.250	20.330

BONUS FACTOR TO CANADIAN PRODUCER = 1.00 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 45.0 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 40.50 MILLION

COPY INCENTIVE TO CANADIAN PRODUCERS = 0.16

COPY INCENTIVE TO CANADIAN PRODUCERS = 0.40

ADDITIONAL COPY TO CANADIAN PRODUCERS = 0.72

TOTAL COPY TO CANADIAN PRODUCERS = 1.28

TOTAL COPY TO CANADIAN PRODUCERS = \$ 1.73 MILLION OR 41.8 PERCENT OF GROSS RECEIPTS

TABLE NO. 11

CDN RATIO NET TO -30	FOREIGN EXPENSE	GROSS CPIE	CANADIAN CONTENT = 100.0 PERCENT		FOREIGN CONTENT = -0.0 PERCENT		LOCAL BASIC	LOCAL PERCENT W/INCENT
			NET WORK NO INCENT	NETWORK W/INCENT	LOCAL NO INCENT	LOCAL W/INCENT	NET PRDP BASIC	NET PRDP W/INCENT
10	-0.000	-0.000	10.000	10.000	45.000	45.000	45.000	45.000
9	-0.000	-0.000	10.000	10.000	45.000	45.000	40.500	40.500
8	-0.000	-0.000	10.000	10.000	45.000	45.000	36.000	36.000
7	-0.000	-0.000	10.000	10.000	45.000	45.000	31.500	31.500
6	-0.000	-0.000	10.000	10.000	45.000	45.000	27.000	27.000
5	-0.000	-0.000	10.000	10.000	45.000	45.000	22.500	22.500

BONUS FACTOR TO CANADIAN PRODUCERS = 1.00 TIMES 45.0 PERCENT OF TOTAL BOX OFFICE OR 45.0 PERCENT OF RECEIPTS

BOX OFFICE TO CANADIAN PRODUCERS = \$ 15.00 MILLION
 CPIE INCENTIVE TO CANADIAN PRODUCERS = 0.00
 CPIE INVESTMENT FUND FOR CDN PRODUCTION = -0.00
 OPERATORS FUND FOR CDN PRODUCTION = -0.00
 FOREIGN PRODUCERS INVESTMENT FOR CDN PRODUCTION = 0.00
 TOTAL MONIES FOR CANADIAN PRODUCERS AND OPERATORS = \$ 15.00 MILLION OR 45.0 PERCENT OF GROSS RECEIPTS
 TOTAL CHECK = \$ 15.00 MILLION



**ATLANTIC TELEVISION
SYSTEM**

COMMENT
COMMENTAIRE

Received By - Ragu Pan
SECRETARIAT

SEP 30 1975

C. R. T. C.

Our companies are the licensees of the CTV-affiliated television stations serving Nova Scotia, New Brunswick and Prince Edward Island. As such, we are responsible for all alternate English language Canadian television service in the Maritimes. Our companies operate studio complexes at Halifax, Moncton and Sydney. An origination studio is under development at Saint John. Over the past four years, Atlantic Television System has been involved in an aggressive program of

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extension of service which is now reaching fruition, with all but very remote, sparsely populated areas being served by one or more of the 21 transmitters operated by our companies.

During this period of extension of alternate Canadian television service, 24 cable systems have been licensed in the three Maritime Provinces, bringing the total number of cable systems there to 38. These cable systems have been developed for the purpose of importing, via microwave, United States television stations located in Bangor and Calais, Maine. According to BBM's last cable penetration study in September, 1975, the most mature of these systems, Halifax Cablevision Ltd. and Dartmouth Cablevision Ltd. have a 56% penetration level in the Halifax-Dartmouth area. More recently licensed cable television systems are now in various stages of development. It can be anticipated that their level of penetration will eventually reach between 80 and 85% within the next few years.

The effects of these cable television systems on the viewership of Canadian television stations and Canadian television programs is now starting to emerge. Prior to the advent of cable in Halifax, 100% of the viewing was to Canadian television stations. In the Spring of 1976, with cable penetration in Halifax-Dartmouth at 56%, BBM Bureau of Measurement indicated that in prime time hours (7 to 11 p.m. Monday-Sunday), 23% of all viewing time was spent with one or more of the foreign television stations and that viewership to Canadian stations had declined to 77% of the total hours tuned.

In a region like the Maritimes, where the development of the Canadian off air system is not yet complete, heavy expenditures are still being made to effect the extension of alternate English language Canadian service. The introduction of foreign television stations via cable represents a very real threat to

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the base of the Canadian off air system, a threat whose impact will not be fully known until cable development is somewhat more complete than it is at the present time.

Not only is the development and construction of cable television systems in the Maritimes far from complete, the licensing of all potential cable areas, which can only hope to reach over 50% of the total population, is still under way.

Atlantic Television System Limited has, for the past number of years, taken the posture that it is the right of all Canadians, where possible, to receive the two Canadian television services. We have accepted extension of alternate English language television service in the Maritimes as part of our responsibility. With the advent of cable, we urged that only one United States commercial television station be imported via microwave for distribution throughout the Maritimes. All cable television licensees in the Maritimes have been licensed to distribute two commercial United States stations and one non-commercial United States station. Our concerns as to the eventual effect of this fragmentation, on what is already a thinly based market, are yet to be realized.

Of deepest concern to us is the threat of audience fragmentation and its eventual effect on the attractiveness of television as an advertising medium, in what is traditionally a secondary advertising area for national advertisers. It is essential that the base which allows for the provision of two English language television services to all residents of the Maritimes not be undermined to the point that these Canadian television services cannot be provided.

The multiplicity of television choice available to English speaking residents of the Maritime Provinces is right now

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in the process of increasing dramatically through the provision of alternate Canadian off air service and through the introduction of foreign television signals via cable.

To this end, we unequivocally believe that the introduction of yet another television choice through pay TV, is premature at this time.

We know of no public request or desire for the immediate introduction of pay television. We are aware of the continuing desire of residents of the Maritimes for alternate Canadian television service, and also their mounting appetite for foreign television programs via cable systems.

The introduction of pay television in the Maritimes at this time would be a serious threat to the furtherance of the objectives of the Broadcasting Act and those essential Canadian regional and local elements which comprise the system which the Broadcasting Act describes.

The comments above relate to the effects of fragmentation, with particular emphasis on the Maritime Provinces.

Our second major concern relating to the introduction of Pay TV in Canada centres around the inevitable syphoning of programs from the off air system to any proposed Pay Television system. We do not believe that the interests of Canadians would be served by the creation of any distribution vehicle which would have the potential of depriving all Canadians of access to programs and feature events which currently are the domain of off air television.

Any proposed pay TV system must compete for program material in the total North American market place and we do not believe

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Sept. 29/76



sufficient safeguards could ever be developed, in Canada, to protect against future syphoning from "free" to "pay" TV. The economics of the market place would dictate this.

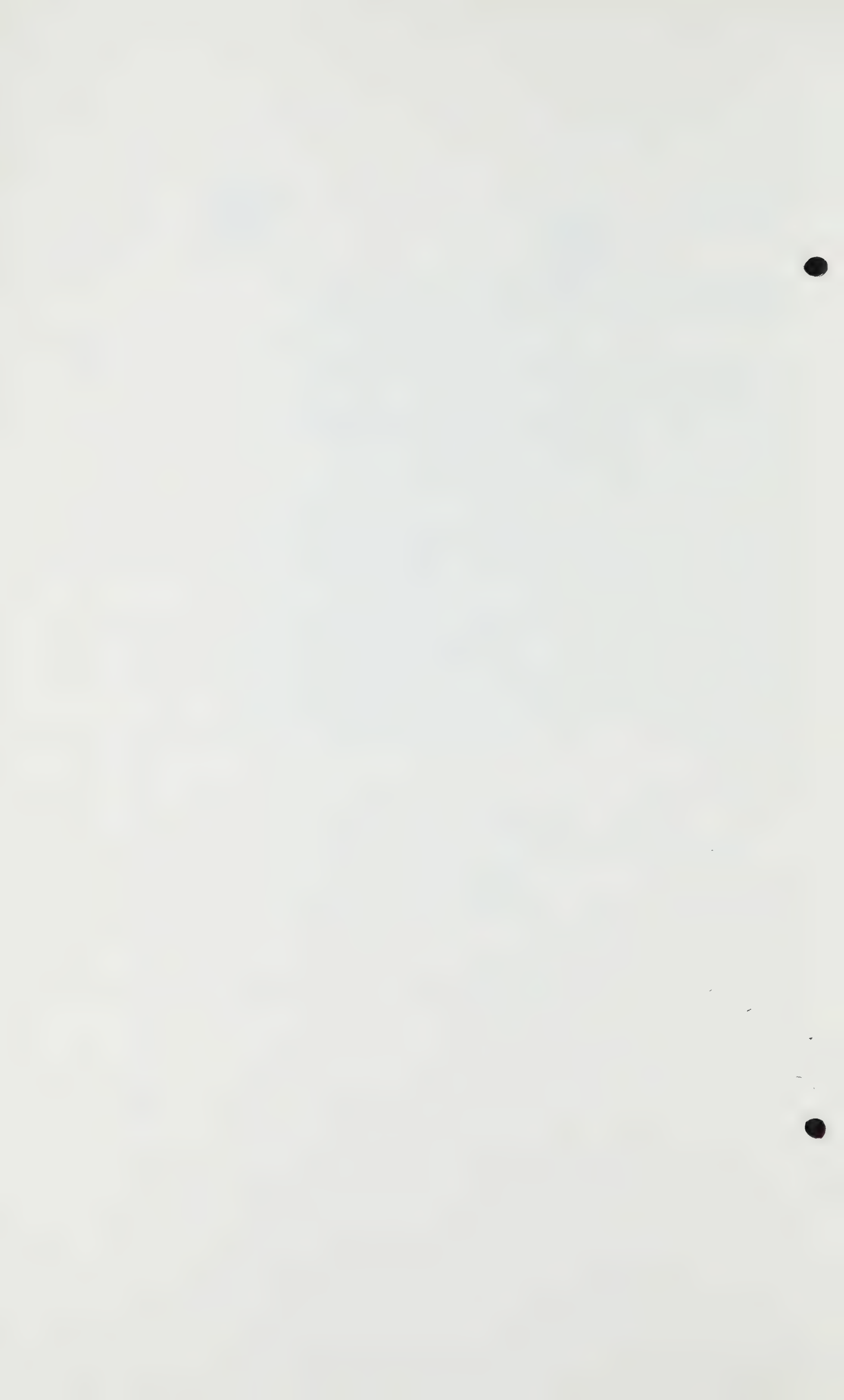
As more and more television was introduced into Canada, the competitive environment caused a rapid escalation in the prices demanded by foreign producers for their product in this country. The possibility of further competition in the purchasing of television programming, coupled with the very real possibility that this programming might be purchased for pay TV is of grave concern to us.

Canada has more television choices than any other country in the world. This multiplicity of choice, which has been available to Canadians in the very large urban centres of Southern Ontario and Southern British Columbia for many years, is only now becoming available to a large number of Canadians who live farther from the United States border and in less densely populated areas. As this dramatic choice of television programming is being spread throughout the country, it is essential that the basic aims of the Broadcasting Act, the provision of Canadian television service to all Canadians, not be undermined. The introduction of yet another choice through pay TV is premature at this time.

Yours truly,

A handwritten signature in cursive script, appearing to read 'Fred Sherratt', with a horizontal line extending from the end of the signature.

Fred Sherratt
President



Lindsay

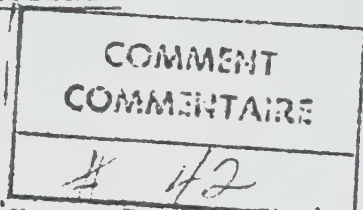
fax: 0-6962-860

LINDSAY SPECIALTY PRODUCTS LIMITED

50 Mary Street West, Lindsay, Ontario, Canada K9V 4S7

Telephone (705) 324-2156

REGISTERED



September 29, 1976

Handwritten:
972-21
(141)
P20

Mr. Harry Boyle, Chairman
Canadian Radio-Television And
Telecommunications Commission
100 Metcalfe Street
Ottawa, Ontario

Bureau

SEP 30 1976

C.R.T.C. - Ottawa

Dear Mr. Boyle:

Please accept this as a submission to, regarding PAY TV. Its narration may wander into CATV, its intent is to relate to PAY TV.

We respond as a Canadian owned CATV equipment manufacturer. The CRTC has not heard much from us as we represent a sad minority.

However, we feel very strongly about the sales position we should have in our own Canadian CATV PAY TV broadcasting industry.

It appears that a great deal of concern has been given to the CATV operating industry, and rightly so.

Back in 1963 I alerted the Prime Minister's Office to warn about the intended acquisition take-over of CATV operating companies. Soon a CATV "freeze" took place - and in due course the CRTC was born. I do believe I had some thing to do in keeping this part of Canada Canadian.

Duly Cable TV became 80% Canadian owned.

The CRTC met with some pouting, the CATV industry was repatriated. CATV thrives without foreign domination.

Today we take pride in having an excellent governing body: The CRTC; and we point to the world that Canadian men and women can own and operate Cable Systems very successfully. We are a model to other countries.

Now we enter another phase of broadcasting.

It has been said that PAY TV is inevitable.

2.....

Lindsay

LINDSAY SPECIALTY PRODUCTS LIMITED

50 Mary Street West, Lindsay, Ontario, Canada. K9V 4S7

Telephone (705) 324-2195

CRTC

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September 29, 1976

We approve and urge the CRTC to take control of this new media; we ask that Cable TV Systems be allowed to set up and operate PAY TV; to acquire program material through a group or CATV Network. The Canadian broadcasting, and film industry should be guided to be a strong economically and culturally.

PAY TV if allowed to operate without guidelines would soon be dominated by imported foreign material. This would hurt the Canadians, and our ability to build a needed industry.

We needed a CRTC to make CATV eighty percent Canadian owned!

PAY TV can not and will not have a chance "in our house" if it does not have CRTC assistance.

In the past the CATV industry has been allowed to freely choose technical equipment for their systems from any source, any country.

The results have been to depress and destroy much of our Canadian engineering and manufacturing capabilities. Coaxial Cable manufacturing, such as .412, .500, and .750 no longer exists in Canada. Our two suppliers - Canadian Wire and Cable and Northern have closed their facilities.

Today agents in Canada represent, sell and import foreign made cable. A damn shame.

Certain foreign owned companies do assemble CATV equipment in Canada. Claim is made by one of them that they manufacture a high percentage (seventy five per cent) of equipment in Canada. This is not so - merely talk to deceive Canadian CATV operators and gain sympathy and patronage.

The majority of CATV systems building and rebuilding in Canada has been using non-Canadian product.

This has been aggravated by the power of foreign companies to provide financing and engineering assistance to Canadian CATV operators. The Canadian owned manufacturing company must have financial success through Canadian sales to build up its expertise, manufacturing facility, financial associations and partnerships (and compete).

3.....



0-6962-860

LINDSAY SPECIALTY TV PRODUCTS LIMITED

50 Mary Street West, Lindsay, Ontario, Canada K9V 4S7

Telephone (705) 324-2196

CRTC

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September 29, 1976

Without a good measure of Canadian CATV operator support there can be no viable PAY TV manufacturing industry in Canada. We sell to an industry that is sheltered and protected into being 80% Canadian, and one that gets all its revenue from Canadians. It does not know what foreign competition is (or any other!).

Canadian CATV operators could well afford to buy from Canadian owned industry. This would give the financial basis to give the Engineers, Technicians, Administrators, and Labourers jobs in Canada and build a needed supporting industry.

With such financial support we can do advance engineering that can help Canada towards being a net exporter of CATV products (now include PAY TV) rather than an inferiority complexed and impoverished importer. A strong Canadian equipment industry helps the Canadian community it is in, and helps many peripheral industries.

There is concern and consideration given to our voluble broadcasting and artist groups in relation to PAY TV.

Are our working labourers not as important? We try to keep our employees working - this is our responsibility. Our employees really don't want to be a burden welfaring on unemployment insurance.

We ask that consideration be given to our Canadian equipment industry in relation to PAY TV.

Madame Sauve suggested that as much as 15% of the total revenue from a PAY TV system be turned back to broadcasters, and film makers. We ask that Canadian owned manufacturing industry - (to qualify be 51% Canadian owned) be included on a per capita employee basis. The said manufacturing industry be paid only if over 60% of its equipment designs are generated in Canada and at least 80% manufactured here preferably from Canadian products parts.

There will be a distinct edge for foreigners supplying equipment when and if PAY TV gets started. Imported products' engineered designs and tooling are spread over many units. The Canadian market "is gravy" and prices can be expected to be low from the start.

4.....



LINDSAY SPECIALTY PRODUCTS LIMITED

50 Mary Street West, Lindsay, Ontario, Canada K9V 4S7

Telephone (705) 324-2195

0-6962-860

CRTC

Page 4

September 29, 1976

To share the wealth consistently in Canada we ask that The CRTC levy an additional tax revenue of 30% on landed costs of imported PAY TV related products and on all sold products of foreign owned companies. This amount would be paid by the Cable TV System or parties responsible for PAY TV's use. It would be transferred into an account such as PAIT and would be used to develop Canadian CATV and PAY TV technology. This fund should be directed into use by PAIT (or a suitable body).

Canadian owned manufacturers have shown their ability to come up with advance state of the art. They also have shown proven ability to export substantial amounts of CATV product. Historically foreign dominated companies take commands from abroad and don't export, and don't do much engineering in Canada.

This proposal covers a sensitive area. We beg that you give it at least the same consideration you give a higher visibility, more vocal broadcasting and artist industry.

Our industry, to remain one, must be considered symbiotic with Canadian PAY TV, to give it support and get its support.

This suggested system would give assistance from revenues of PAY TV to Canadian owned CATV - PAY TV manufacturing concerns supported by a prescribed level of in-Canada research and doing a prescribed level of Canadian manufacture.

The 15% or so revenue payment sharing the small offer being made by certain PAY TV groups is an admission that some inequities must be adjusted.

This sense of responsibility is no doubt due to anticipation of a hue and cry from certain important and necessary segments of our society.

We wish to add the voice of Canadian manufacturing. Our workers' pride, skills and lunch boxes are at stake.

This paper has not pulled the power and voice of its community, its labour unions into the picture. Please do accept it they are there - even if at the moment quite silent.



LINDSAY SPECIALTY PRODUCTS LIMITED

50 Mary Street West, Lindsay, Ontario, Canada. K9V 4S7

Telephone (705) 324-2155

CRTC

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September 29, 1976

Responsibility must at many times be enforced. We ask that the CRTC give full consideration to all Canadian people.

If PAY TV is allowed to act irresponsibly it will damage our culture, our economics and take away opportunities from broadcasters, film makers and supporting people. It will make us small people and dependent on foreigners. This must not be.

PAY TV can encourage and assist or destroy or nullify the Canadian CATV equipment industry. We ask for and deserve their support.

We believe the CRTC will influence PAY TV's actions in supporting the Canadian content.

We ask for no more, no less.

Our company is wholly Canadian owned, and was started with not much more than a dream and determination. We employ near five hundred employees - about one hundred and twenty five in electronics and support the second largest CATV Research Laboratory in North America. We are capable of supplying suitable products for PAY TV and in adequate quantities to serve our markets.

If you have any questions or wish clarification on any points please contact me.

Yours truly,

John E. Thomas,
President.

JET:np

PRODUCTIONS MUTUELLES LIMITÉE
MUTUAL PRODUCTIONS LIMITED

225 EST. RUE ROY
225 ROY STREET EAST
MONTREAL H2W 1M5 - (514) 845-5211

972-21
Guy
Pay

BUREAU DU PRÉSIDENT
OFFICE OF THE PRESIDENT

Le 29 septembre 1976

COMMENT
COMMENTAIRE

43

Monsieur Guy Lefebvre
Secrétaire Général du Conseil
Conseil de la Radio Télévision Canadienne
100, rue Metcalfe
Ottawa, Ontario

Cher Monsieur,

Tel qu'annoncé, veuillez trouver ci-joint notre mémoire
"La télévision à péage au Canada".

Veuillez agréer, cher Monsieur, l'expression de nos
meilleurs sentiments.


Pierre David
Président

PD/dh

Pièces jointes.

Received by  Reçu par
SECRETARIAT

SEP 30 1976

C. R. T. C.

Septembre 1976

MEMOIRE
PRESENTE AU
CONSEIL DE LA RADIO TELEVISION CANADIENNE
PAR LES
LES PRODUCTIONS MUTUELLES LIMITEE
SUR
LA TELEVISION A PEAGE AU CANADA

Pierre David
Président

Les Productions Mutuelles Limitée

Si, pour l'ensemble de la population du Canada, l'été 1976 fut celui des Olympiques, il fut, pour nombre de gens reliés au monde des communications et de l'audio-visuel, celui aussi de la Télévision à péage. Depuis la déclaration du Ministre des Communications, Madame Jeanne Sauvé, devant l'assemblée des cablodistributeurs, tous ceux qui de près ou de loin s'intéressent à la question se sont mis à l'oeuvre, afin de présenter au CRTC les mémoires demandés, à l'origine pour le 1er septembre, puis, ensuite et heureusement, pour le 1er octobre. Que le délai imparti ait été court, cela ne fait aucun doute... Mais il aura au moins eu le mérite de forcer les intéressés à une réflexion exhaustive et concentrée, seul point de départ valable pour une étude approfondie de la question. Il est évident que notre mémoire, et nous présumons qu'il en va de même pour beaucoup d'autres, constitue la somme d'une première réflexion, et qu'on ne saurait le considérer comme une prise de position finale et inébranlables. Point de départ pour certains, continuation d'un travail d'étude entrepris depuis plus longtemps pour d'autres, nous voyons mal comment ces mémoires pourraient être l'aboutissement de recherches... Ce n'est certes pas notre cas.

Les Productions Mutuelles Limitée s'intéressent de très près à la question de la Télévision à péage. Avant d'entrer dans le vif du sujet, une brève présentation de notre compagnie nous semble souhaitable. Les Productions Mutuelles Limitée sont une filiale à part entière de la Corporation Civitas Limitée, groupe oeuvrant presque exclusivement dans le domaine de l'audio-visuel et des communications. La Corporation Civitas Limitée est aussi propriétaire

du réseau radiophonique Radiomutuel, qui compte six stations, à Montréal (2), Québec, Hull/Ottawa, Sherbrooke et Trois-Rivières. Les Productions Mutuelles Limitée existent depuis sept ans, et occupent l'une des premières places parmi les compagnies de production et de distribution indépendantes au Canada. Les Productions Mutuelles Limitée se spécialisent dans la production et la co-production de longs et de courts métrages. Parmi les différents films Canadiens produits ou co-produits par notre groupe, citons Les Colombes, Bingo, Les Smattes, The Rainbow Boys, J'ai mon voyage, Quelques Arpents de Neige, La Mort d'un Bûcheron, Portrait de Femme: Monique Proulx, Child Under a Leaf, et, bientôt sur les écrans, Parlez-Nous d'Amour, de Jean-Claude Lord, Je suis loin de toi, Mignonne, de Claude Fournier, et Le Soleil se lève en Retard, de André Brassard. Les Productions Mutuelles ont donc une expérience approfondie de la situation du long-métrage canadien, tant sur le plan de sa fabrication que sur celui de sa distribution au Canada et de sa diffusion à l'étranger.

La Corporation des Films Mutuels Limitée est la division du groupe qui oeuvre dans le domaine de la distribution dans les circuits commerciaux. En plus de distribuer les films cités plus haut, elle assure la distribution de plusieurs films canadiens, dont les Productions Mutuelles n'étaient pas producteurs ou co-producteurs, tels Les Ordres, Partis Pour la Gloire, Fleur Bleue, etc... La Corporation des Films Mutuels Limitée distribue aussi une sélection de films étrangers très importants, dont, récemment, les films de Costa-Gavras, Claude Lelouch, Arrabal, Ingmar Bergman, Claude Sautet, Sergio Leone, Jeanne Moreau, Jean-Paul Rappeneau, etc... Plus de 100 films étrangers de premier ordre, en

provenance surtout d'Europe, ont ainsi été diffusés dernièrement par la Corporation des Films Mutuels Limitée.

D'autres divisions, plus spécialisées, font partie du groupe des Productions Mutuelles Limitée. Films 16, qui assure la distribution de films dans les circuits dits non-commerciaux, institutions d'enseignement, centres éloignés, hôpitaux, etc..., Télémuelle (1976) Limitée, responsable de la vente de films à la télévision, Paratel, un centre d'information auprès de la presse et des individus sur les films produits et/ou distribués par le groupe, Publifilm Limitée, agence de création et de gestion de campagnes publicitaires pour les films, Ciné-Agence (1976) Limitée, organisation qui programme plus de soixante-dix salles de cinéma de la Province de Québec.

Il va sans dire qu'à cause de ce qui précède et vu les multiples implications de notre organisation dans le monde de la production et de la diffusion de film au Canada (et à l'étranger), la question de la télévision à péage ne saurait nous laisser indifférents.

Bien plus, nous croyons qu'elle aura une importance considérable sur le développement de la production et de la distribution dans le pays, et c'est pourquoi conscients de ce fait, nous avons estimé indispensable d'étudier la question et de proposer des modes d'approche et des esquisses de solutions face à cela.

Mais avant d'entrer dans le vif du sujet, nous tenons à réaffirmer que la présente étude à un caractère provisoire. Ce n'est pas le 1er octobre que celle-ci se termine, du fait de la présentation des mémoires... Les recherches doivent continuer, les échanges de vues s'approfondir, les études évaluer dans la forme et dans le fond

tout l'impact qu'aura l'avènement de la télévision à péage sur la production et de la distribution au Canada.

Proposition 1: Le CRTC, ayant fixé une date très rapprochée pour la présentation des mémoires, doit comprendre que la question mérite d'être plus approfondie dans les délais précis et favoriser par tous les moyens la poursuite des différentes études entreprises.

Cependant, il nous semble primordial que le Conseil doit établir un échéancier fixé à l'avance, pour que la télévision à péage ne demeure surtout pas un dossier éternellement à l'étude... Car, et nous l'expliquerons plus loin, la télévision à péage, est à nos pertes, et elle aura un rôle prédominant à jouer, essentiel et indispensable à la survie et au développement de notre industrie de la production et de la distribution. Il importe donc que cette télévision à péage devienne une réalité concrète dans un laps de temps déterminé, et le Conseil, à notre avis, a là une tâche prédominante qu'il se doit d'assumer.

Proposition 2: La télévision à péage étant appelée à devenir une réalité et ce, nous le croyons et l'espérons, dans des délais rapprochés, il est important que le Conseil fixe un échéancier précis, afin que tous les intéressés sachent où s'en va et à quoi s'en tenir.

Il nous semble évident que le Conseil devra tenir une audience publique sur la question, afin de rapprocher tous les groupes qui oeuvrent, souvent malheureusement de façon isolée, sur la question. Cette audience, à notre avis préalable à celle qui accordera des licences,

permettra au Conseil, aux organismes intéressés et à la population d'avoir une vision plus claire de la situation de la télévision à péage dans son ensemble, et favorisera probablement, à notre avis, des rapprochements entre les différents points de vue, dont beaucoup sont fort éloignés par manque de communications.

D'ailleurs, la question de la télévision à péage a une telle importance pour notre pays qu'il nous paraîtrait anormal que le Conseil ne souhaite pas entendre tous ceux qui désirent faire connaître publiquement leur point de vue. Cela réaffirmera le processus démocratique que le Conseil a toujours favorisé, et permettra aux Canadiens de se sentir plus concernés.

Propositions 3: Que le Conseil, parallèlement à la poursuite d'études sur la question, et avant de se prononcer finalement sur celle-ci inscrive à l'échéancier proposé à la proposition 2, une audience publique sur la question de la télévision à péage.

Ceci étant dit, entrons de façon plus directe dans l'étude de la télévision à péage. A notre avis, il serait inutile et illusoire de vouloir esquiver la question, ou de la remettre aux calendes grecques. La télévision à péage, comme, en son temps, l'édition, le téléphone, la radio, la télévision, la télévision en couleur, les satellites, etc. est arrivée... Elle existe aux Etats-Unis... Elle existera bientôt au Canada... C'est le progrès, et on ne peut l'arrêter. Le choix qui s'offre à nous n'est pas de décider s'il faut qu'il y ait une télévision à péage, car il nous semble que cette

décision, que quiconque le veuille ou non, n'a même plus à être prise, et fait partie de l'évolution normale des choses. La décision réside beaucoup plus dans le "comment". Voulons-nous une télévision à péage qui se développe, ou une télévision à péage conçue de façon globale, dont le développement sera harmonisé, pour le bien-être de la population, en favorisant ceux qui doivent l'être en premier sinon exclusivement, les sociétés et organisations canadiennes oeuvrant dans le domaine de l'audio-visuel sous toutes ses formes.

Pour une fois, nous en avons la chance... Il ne s'agit pas de planifier, d'aider, de régler quelque chose qui existe, donc, comme ce serait inévitablement le cas, d'être amenés à détruire, modifier pour orienter le cap, ou refaire... La route est pour ainsi dire vierge... Il faut en tracer le chemin, savoir où on s'en va, et prendre les moyens nécessaires... Nous aurons la télévision à péage que nous voulons et que nous méritons, puisqu'il n'en tient qu'à nous de l'installer à notre image.

Proposition 4: La télévision à péage deviendra bientôt une réalité. Cette réalité devra être le fruit d'un développement planifié, harmonisé, reflétant une orientation précise, favorisant à tous points de vue le Canada et les Canadiens.

Aux Etats-Unis, la télévision à péage connaît un développement extrêmement rapide... Après des tâtonnements, des échecs, des changements de cap, des remises en question, voilà que le démarrage est véritablement devenu une réalité.

Après quelques années, des millions de foyers ont maintenant accès au Cable, et des centaines de milliers au Pay-TV, sous une forme ou sous une autre, et tout indique que cette croissance ira en se multipliant.

En avril dernier, le vice-président de Columbia Picture, Aelen Adler, estimait devant les membres de la "National Cable Television Association" réunis à Dallas qu'au début de 1980, la télévision à péage rejoindrait plus de quatre millions de foyers. Le Stanford Research Institute de Californie prévoit de son côté que le nombre de téléspectateurs abonnés à la télévision à péage passera de 100,000 en 1974 à 16,200,000 en 1985. Ce même rapport estime que 20% des foyers américains seront abonnés au "Pay-TV" en 1985. Quand on sait que le nombre des abonnés n'était que de 16,000 en 1973, qu'il a atteint les 500,000 à la fin de 1975, et qu'il y en aura 1,200,000 à la fin de 1976, on peut croire aux prédictions faites ci-dessus.

Le public est en effet un ogre... Plus la civilisation des loisirs se développe, moins l'ouvrier ou le professionnel travaille d'heures, et plus monsieur tout le monde recherche de nouvelles formes d'activités... Il nous apparaît que l'individu, en règle générale, ajoute de nouvelles activités à celles qu'il a déjà, au lieu d'éliminer purement et simplement l'une pour l'autre... Il travaille moins d'heures et veut s'occuper, découvrir, vivre plus pleinement. Il voyage, s'intéresse à plus de choses, veut tout essayer! Plus rien finalement ne le satisfait à 100%... Et c'est là que la civilisation des loisirs et ses architectes interviennent. Ils tentent de satisfaire l'ogre, et lui proposent non seulement de nouveaux livres, de nouveaux films, de nouveaux centres de vacances, mais des modes et des formes

différentes de divertissements et de loisirs... A la maison, on se sert de la télévision pour jouer au ping pong, ou, bientôt, on se projette un vidéo-disque... Au cinéma, on voit un film en "sensuround" puis, on achète le film qu'on a déjà vu pour se le projeter sur cassettes à la maison... Et tout continue ainsi... On refuse de plus en plus de s'ancrer dans la routine, et on veut du changement. La télévision à péage s'inscrit dans ce nouveau mode de vie. Elle ne remplacera pas la partie de tennis, la soirée au cinéma, ou l'émission de télévision, elle s'y ajoutera... Car elle apportera à l'individu quelque chose de nouveau et de différent qui répondra en partie à son besoins d'élargir le champ de ses activités et de sa connaissance.

Contrairement aux télédiffuseurs qui aiment parler de fragmentation de l'auditoire, nous préférons parler de fragmentation du choix... Si ce n'est pas vers la télévision payante que se tourne le téléspectateur, maintenant lassé d'une émission ou de l'autre, c'est vers autre chose... Ce que personne ne pourra jamais faire, c'est de stopper le progrès, le désir que peut avoir un individu de découvrir ou d'essayer autre chose.

D'ailleurs, il n'est pas certain que l'avènement de la télévision à péage soit une menace si grande pour la télévision traditionnelle. Le Stanford Research Institute de Californie estime que le nombre de téléspectateurs que la télévision traditionnelle perdra au profit de la télévision à péage sera compensé par l'acroissement normal de la population:

"The study estimated that conventional television's audience loss - projected to be less than 11.9% of current levels by 1985 - should be nearly offset by population growth".

Proposition 5: La télévision à péage s'inscrit dans le développement irréversible de la civilisation des loisirs. Son avènement signifiera pas l'abandon des loisirs et de divertissements autres, mais l'addition de la télévision à péage à ceux-ci.

L'arrivée de la télévision à péage signifiant une nouvelle source d'activités et de loisirs pour l'individu, cela implique pour cet individu une possibilité de choix. Celui-ci peut en effet accepter ou rejeter cette nouvelle activité, ce nouveau loisir qu'on lui propose. Bien sur, au début, la curiosité jouera, mais déjà dans une moindre mesure que pour d'autres activités, comme la radio ou la télévision par exemple. Car pour l'individu en général, la radio, la télévision, le camping, la chasse, la pêche, etc..., sont des activités gratuites. On oublie bien vite l'argent qu'on a dépensé pour acheter son appareil ou son équipement. Pour ce qui est de la télévision à péage, c'est différent... Nous nous rapprochons du cinéma. L'individu doit exercer un choix constant par rapport au produit qu'on lui offre, et peut le refuser s'il le désire... Le concept n'est donc pas le même... Mais un facteur modifie les cartes et c'est celui de la forme de paiement. Si le paiement se fait à l'émission, la notion de choix est pleinement appliquée. S'il est perçu au mois, il deviendra pour l'individu une affaire de routine, et sa faculté de choisir interviendra moins souvent... C'est au moment de payer son compte qu'il se posera, ou non, des questions... Si dans l'ensemble il est satisfait, il

oubliera ce qu'il n'a pas ou moins aimé au cours du mois, et jugera sur l'ensemble. Il arrivera aussi parfois qu'il n'aura pas regardé une émission du mois, mais renouvellera quand même machinalement. Et même s'il est insatisfait du service et qu'il souhaite s'en départir, il y a souvent une grande marge entre le "choisir" et "l'agir"... Il choisira peut-être de ne plus renouveler, mais, pour différentes raisons, ne le fera pas.

Il y a donc une différence fondamentale entre le paiement par émission, et le paiement mensuel, car ils détermineront chez l'individu une façon d'agir très différente...

Proposition 6: Le concept de la télévision à péage est totalement différent selon la formule de paiement. La capacité de choix de l'individu se voit augmentée au paiement par émission, et réduite, malgré lui et en même temps à cause de lui, par le paiement mensuel.

La radio, la télévision traditionnelle sont gratuites... Une fois l'appareil acheté, le téléspectateur reçoit un service, qu'il paie d'ailleurs indirectement, par le biais de la commandite, mais cela est une autre question! La télévision à péage est différente car une fois l'appareil acheté, les dépenses continuent... Vue du point de vue de l'individu, s'il doit payer pour la télévision à péage, il serait juste qu'il paie pour ce qu'il a "choisi" de regarder. Idéalement, le paiement par émission est, ne serait-ce que moralement, plus souhaitable... Il sera aussi, dans beaucoup de cas, plus rentable pour tout le monde à la longue. Mais dans l'immédiat, il apparaît difficile.

"With regard to the monthly subscription fee rather than per-program charges, operators have found that the technical equipment necessary for per-program payments is too cumbersome and, with few exceptions, such payment methods have been abandoned in favour of the much simpler monthly payment of a flat fee. The few exceptions are all systems with relatively few subscribers and systems which offer only movie programming so far as we can tell".

(Simon Fraser Report, May 1976)

Tout d'abord, sur le plan technique. En deuxième lieu, sur le plan de la programmation. Car, et nous le verrons plus loin, la télévision à péage en est une de "locomotives". Un certain nombre d'émissions entraîneront immédiatement la faveur du public, tandis que d'autres intéresseront un nombre beaucoup plus restreint d'individus. Ce sont des programmes-locomotives qui susciteront l'abonnement à la télévision à péage, et, pour l'instant, la plupart de ces émissions sont de provenance américaine pour le Canada Anglais, et de provenance américaine et étrangère, principalement française, pour le Canada Français. Parmi ces programmes-locomotives, les films occupent, et de très loin, le haut du pavé.

"Insofar as the only consistently successful programming format on U.S. pay TV consists of the provision of U.S. movies, we can conclude that this format should be used in Canada to initiate the development of Pay cable and to subsidize the development of a canadian independant film industry from the revenues thus generated"

(Colin Watson, PTV Network)

S'il fallait que le système de paiement soit à l'émission, on risquerait fort de voir le téléspectateur se concentrer sur ces émissions-locomotives, et ne pas (ou peu) regarder le reste... Les revenus iraient à l'étranger, et notre production canadienne n'en bénéficierait pas. Mais il n'en reste pas moins vrai qu'idéalement, le mode de paiement à l'émission est plus juste pour le téléspectateur, et pourrait même devenir, à long terme, une fois notre production canadienne vraiment en pleine lancée, plus rentable pour nous... Mais nous n'en sommes pas encore là...

Proposition 7: Pour l'instant, nous favorisons le mode de paiement mensuel, mais cette formule devrait éventuellement céder la place au mode de paiement par émission lorsque les développements technologiques et l'avancement de la production canadienne que nous prévoyons le permettront.

Si la télévision à péage doit exister, elle doit exister en fonction du Canada. Il serait trop facile d'en faire un système de "dumping" du produit étranger... Ce serait rentable, facile, intéressant de ne projeter sur un système canadien de télévision à péage que des longs-métrages français ou américains. Mais ce serait contribuer à l'anéantissement du Canada comme pays et soucieux de protéger et surtout de développer ses aspirations culturelles... Exister en fonction du Canada, cela veut dire être un reflet du Canada pour les Canadiens.... Permettre aux Canadiens de s'exprimer, à l'intérieur et outre-frontières. Avec cet objectif, le défi est bien entendu beaucoup plus grand pour la télévision à péage, mais il est impératif. Il n'y a pas d'autres alternatives.

Car en plus de devenir un autre véhicule pour montrer le Canada aux Canadiens, le système de télévision à péage doit devenir un instrument-moteur culturel, un générateur de produit canadien... C'est là que le défi devient passionnant.

Il ne fait pas de doute que tous ont au moins une aspirations commune pour le système de télévision à péage à venir... Il doit être canadien, crée par et pour les Canadiens.

Proposition 8: Le système de télévision à péage qui existera au Canada doit avoir comme vocation première de montrer le Canada aux Canadiens, et d'utiliser tous les moyens pour favoriser la production canadienne.

Au lieu de s'attaquer à l'influence étrangère, au produit étranger, voilà que la télévision à péage pourra nous permettre de l'utiliser à notre profit. Pour ce faire, de nombreux postulats sont nécessaires. Tout d'abord, il faut que le développement de notre système de télévision à péage soit planifié. Nous y reviendrons plus loin. En deuxième lieu, une portion importante des revenus générés par la télévision à péage devra être ré-investie dans la production canadienne. Une étude précise devra démontrer quel est le plus haut pourcentage de revenus possible qui devra être obligatoirement ré-investi. On a avancé le chiffre de 15%. Cela nous semble un minimum, et peut-être pourrait-il être plus élevé. La formule suivante nous paraît intéressante à étudier. A la base, il y aurait ce minimum de 15%, prélevé à la source et obligatoire. Puis, après le paiement des services des transporteurs, des services techniques et administratifs, des émissions procurées, et des autres frais directs, et après le prélèvement d'un profit raisonnable, tenant compte d'un retour sur investissement conforme aux normes générales de l'industrie, fixé à l'avance, tous les profits additionnels seraient aussi ré-investis dans la production canadienne, s'ajoutant donc au 15% de base.

On estime que sur les 2.8 millions d'abonnés au câble au Canada, environ 35% dès le départ seront disposés à payer un montant supplémentaire de \$8 à \$10 par mois pour ce nouveau service. Sur des revenus bruts au départ de près de \$100 millions de dollars, 15% seraient donc ré-investis dans la production canadienne, soit 15 millions de dollars annuellement. Et ceci n'est qu'un début....

"It would seem very probable that within four to five years at least 50% of an increased number of subscribers could be connected for pay-TV service, rather than 35% of the present 2.7 million subscribers projected by Mrs Sauvé. This could mean gross revenues of some \$144 million producing \$21½ million per year for canadian program production rather than the \$13½ million of Mrs Sauvé's projection".

(Ken Easton, Cable Communications, July 1976)

Proposition 9: Une étude précise devra démontrer quel pourcentage des revenus bruts du système de télévision à péage devra être ré-investi dans la production canadienne, et établir un minimum fixe (éventuellement 15%), tout en laissant la porte ouverte à un maximum variable, dépendant des coûts et des profits, qui ne pourraient dépasser certaines normes fixées à l'avance.

Parallèlement à cette obligation de ré-investissement, le système de télévision à péage devra être assujéti à des obligations de contenu canadien très strictes. Car si celles-ci n'existaient pas, tous les beaux objectifs deviendraient lettre morte.

"It would appear that it is only Canadian content legislation which prevents a network such as CTV from relying almost completely on American programs....

(Hugh H. Edmunds Report, August 1976)

Nous proposons, compte-tenu de ce qui suit, une obligation de contenu canadien minimum en "prime-time" de 30% la première année, 40% la deuxième année et 50% la troisième année, avec comme but ultime d'amener le contenu canadien au pourcentage le plus élevé possible au cours des années supérieures. Nous limitons à 30% la première année, car il faut laisser le temps à la production canadienne d'exister, aux longs-métrages d'être tournés, etc... Donc, durant cette année, nous supposons que les mécanismes de production tourneront à plein, pour remplir les obligations de 40% la deuxième année, et de 50% la troisième année. Car à notre avis, la production canadienne ne peut exister que si elle est favorisée par le gouvernement central et les gouvernements des Provinces. S'il faut qu'elle existe, elle existera... Si on laisse la liberté à chacun qu'elle existe ou pas, si on ne la favorise pas, si on n'invente pas les mécanismes lui permettant de s'épanouir, elle ne demeurera qu'un beau rêve dans l'esprit d'un certain nombre. Car il serait, nous répétons, trop facile de céder à la facilité et de nous nourrir de nos "frères" étrangers, qui n'attendent que cela!

Nous arrivons là à l'un des points les plus importants de notre mémoire... La production canadienne... Les obligations pour les stations de radio et de télévision en contenu canadien ont favorisé son essor, tant dans les domaines du disque que dans la fabrication d'émissions canadiennes.

Il en arrivera de même pour ce qui est de la télévision à péage. Si on lui impose un contenu canadien minimum, elle devra se le procurer, ou le générer... La demande créera l'offre, la nécessité obligera à trouver des solutions...

Le long-métrage est actuellement, et l'expérience américaine le démontre bien, la principale source de programmation de la télévision à péage... Il en sera de même au Canada, bien qu'il ne faudrait pas, et nous y reviendrons, que notre télévision à péage ne soit uniquement qu'un cinéma à domicile. Le long-métrage étranger sera disponible pour la télévision à péage. Cela ne pose aucun problème. Où la situation du long-métrage au Canada.

Evidemment, pour l'instant, la production canadienne de longs-métrages ne marche pas à pleine vapeur, mais il serait faux d'exagérer la situation et de parler de "crise grave". Au contraire, il nous semble plutôt que la période d'adolescence est passée, et que nous sommes enfin devenus adultes.

Il y a une dizaine d'années, le long-métrage n'existait pour ainsi dire pas au Canada... Des tentatives isolées, des succès occasionnels, mais il n'y avait pas d'effort concerté, de désir global de créer une industrie viable et rentable.

Mais plusieurs, un peu partout à travers le pays, sans argent, peu d'expérience, mais beaucoup d'ambition, voulaient que naisse chez nous une industrie du long-métrage. C'est alors que la Société de Développement de l'Industrie Cinématographique Canadienne (SDICC) a été créée. Et que les

choses ont vraiment démarré... Bon nombre de gens s'étonnent qu'on ne soit pas rendus plus loin. Oublient-ils que cette industrie, si nous voulons être réalistes, n'a que dix ans; qu'elle a dû s'organiser, que la plupart, à tous les paliers, ont dû, apprendre leur métier, prendre de l'expérience.... Car les artisans du long-métrage, aussi bien ceux de la SDICC que ceux des laboratoires, les producteurs comme les techniciens, ont appris ensemble comment on créait, fabriquait, produisait, diffusait, vendait un long-métrage. Ils se sont ouverts sur l'étranger, y ont vu les possibilités, compris les exigences. En un mot, ils ont appris, et maintenant, ils savent de quoi ils parlent... A travers les succès retentissants, DEUX FEMMES EN OR, pour n'en citer qu'un, qui par rapport aux plus grands films américains détient encore le record des entrées au Québec, les échecs tout aussi grands, est née une industrie, encore incapable de vivre sans aide gouvernementale mais qui a au moins le mérite d'être là, et d'être prête à affronter les défis du succès, au Canada comme à l'étranger.

Dans la plupart des pays, une réglementation établie depuis nombre d'années, et sans cesse étudiée, modifiée, remise en question pour la rendre plus efficace, permet d'aider le long-métrage. Que ce soit en Grande Bretagne, en Suède, en Belgique, en URSS, en France, partout la production se voit favorisée par une foule de mécanisme de soutien. Il est normal qu'il en soit de même au Canada, d'autant plus que nous sommes les plus soumis à la domination cinématographique colossale qu'exerce sur l'ensemble du monde les Etats-Unis, qui pour n'avoir pas de mécanismes d'aide n'en n'ont pas moins au d'un pays de 260 millions d'habitants et de consommateurs de films sur leur propre territoire...

Au moment où l'industrie du long-métrage se sent prête à relever les défis, il est impératif qu'elle y soit aidée par tous les moyens. Si elle y réussit, ce qui nous paraît tout à fait possible, elle sera beaucoup moins une initiative culturelle à subventionner, et beaucoup plus une industrie viable et bénéfique, capable d'être diffusée au Canada comme à l'étranger. Il n'en tient qu'à nous de fabriquer nos Bergman, Liv Ullman, Bibi Anderson, Costa Gavras, François Truffaut, Isabelle Adjani, Fellini, Dino de Laurentiis, etc...

Depuis plusieurs années, la SDICC s'acquitte de sa tâche au mieux (à notre avis) de ses possibilités. Et ce n'est pas toujours facile, quand on sait que chaque année, leur mandat est remis en question. (Comment peut-on vraiment planifier dans ces conditions?)

Malheureusement, malgré l'aide de la SDICC, l'Industrie du long-métrage ne peut faire face très souvent aux impératifs économiques... Pour être valable et exportable, pour être comparable aux produits étrangers, tant français qu'américains, un long-métrage, sauf pour de très rares exceptions, coûte au moins 1 million de dollars. Beaucoup plus souvent qu'autrement, il en coûtera 2,3,4 ou même 6, sans compter les plus importantes productions des studios américains, qui atteignent maintenant parfois entre 10 et 28 millions de dollars. Faut-il à la lecture de ces chiffres baisser les bras et abandonner? Non, car il existe bon nombre de films à budget raisonnable, fabriqués pour un coût variant d'un à deux millions de dollars, qui se vendent dans le monde entier et font du profit. Mais quand au Canada, on n'alloue pour la fabrication d'un long-métrage que 5 ou 600,000 dollars, on se condamne très souvent tout juste, et dans le meilleur des cas au succès local, par manque de moyens.

C'est là que la SDICC, encarcannée dans son maximum de 50% ou \$300,000, n'arrive pas à jouer son rôle, car à défaut de pouvoir vraiment aider un long-métrage à obtenir du succès, elle ne favorise tout juste souvent que sa fabrication dans les délais de production trop rapides, sans moyens, sans vedettes, sans espoir réel de percer le marché.

Il est donc impératif qu'une stratégie globale d'aide au long-métrage canadien soit mise en place, et qu'elle implique toutes les parties concernées. Cette stratégie, à notre avis, devra s'accompagner d'un cortège de règlements qui auront, et très rapidement, un effet bénéfique énorme. Voici un certain nombre de points qui pourraient faire partie de cette stratégie:

1. Définition précise du mandat de la SDICC dont l'objectif devrait demeurer d'être exclusivement vouée au développement d'une industrie de long-métrage au Canada. Elle devrait bénéficier de fonds plus importants, fixes, et prévus à l'avance, pour des périodes successives d'au moins 5 ans.
2. Règlementation obligeant les circuits d'exploitation à consacrer un pourcentage fixe de leurs revenus à la production canadienne, et non volontaire comme c'est le cas actuellement.
3. Obligation pour chaque propriétaire de cinémas au Canada de jouer un certain pourcentage de films canadiens sur chaque période d'un an.
4. Obligation pour chaque société distribuant des films au Canada de consacrer un pourcentage fixe de ses revenus à la production canadienne.
5. Prélèvement d'un pourcentage fixe au box-office retournant aux producteurs de films canadiens, pour ré-investissement direct dans la production au Canada.

6. Obligation pour la Société Radio-Canada et les réseaux privés de consacrer un budget annuel à la co-production et/ou à l'achat de films canadiens.
7. Etablissement de relations privilégiées avec les Etats-Unis, favorisant les co-productions, tout en n'accentuant pas la domination culturelle des Etats-Unis.

Et, bien entendu, c'est ici qu'interviendrait aussi l'apport énorme des revenus de la télévision à péage. Trop souvent, malheureusement, on a mal compris comment était financé un long-métrage. Il n'est pas question pour la télévision à péage de produire, ou de financer entièrement des longs-métrages... Il est question de jouer un rôle de complément et de support, s'additionnant aux efforts des autres parties. Ainsi, si le système de télévision à péage achète ou co-produit un film canadien pour la somme de \$300,000, c'est souvent la différence pour donner à un film des possibilités commerciales qu'il n'aurait pas autrement... Or si le système de télévision à péage consacrait 50% de ses revenus destinés à la production canadienne, soit sur la base de 15 millions de dollars, 7,500,000 dollars, c'est, à \$300,000 par film en moyenne, 25 films par année qu'il aiderait au départ. C'est déjà un début très important, surtout si l'industrie du long-métrage se voit favorisée par des mécanismes comme ceux suggérés plus haut.

Pour le long-métrage canadien, la venue de la télévision à péage, à condition que le tout soit bien planifié, ne peut donc qu'avoir un effet extrêmement bénéfique, qui permettra d'augmenter la production, et de lui donner les moyens de concurrencer celle des autres pays.

D'ailleurs, même aux Etats-Unis, la télévision à péage et les grands studios ont compris qu'il y allait de l'intérêt de tous de travailler ensemble. C'est dans cette optique que Home Box Office vient d'annoncer qu'elle investirait 5 millions de dollars dans la production d'une série de Columbia Pictures.

Cela sans compter la participation des Provinces, qui se dotent pour la plupart actuellement d'organismes et de structures destinés à appuyer la production de longs-métrages. Il est à souhaiter cependant que cette stratégie globale et obligatoirement concertée ne sera pas mise en échec par des querelles stériles fédérales-provinciales!

L'arrivée de la télévision par câble nécessitera un certain nombre de concessions... Ainsi l'Union des Artistes, qui, en fixant à 35% des cachets de chaque comédien le prix à payer pour chaque passe à la télévision, a pour ainsi dire banni le long-métrage canadien français des ondes de la télévision, aurait intérêt à revoir sa position. Le calcul sera probablement à leur avantage si la télévision à péage rend possible la production d'un beaucoup plus grand nombre de longs-métrages.

Certains groupes, comme les exploitants de salles de cinéma, voient venir la télévision à péage comme un danger à leur survie. Il nous apparaît que c'est là une erreur, puisqu'il existe un cycle très précis pour les longs-métrages. Ceux-ci sont d'abord exploités dans les cinémas, puis à la télévision. Avec la télévision à péage, on introduit dans le cycle une étape de plus. Après l'exploitation dans les salles, le film passe à la télévision traditionnelle.

Sauf dans certain cas, où un film qui ne serait pas réellement destiné aux salles passerait directement à la télévision payante, le cycle sera respecté, et le spectateur ne manquera pas de continuer à sortir de chez lui pour aller voir le dernier film de Lelouch, Gilles Carle ou Polanski sur grand écran. Celui-ci a une magie irremplaçable, dont on a pu voir la force alors qu'avec l'arrivée de la télévision, plusieurs prévoyaient son extinction.

"The sequential market distribution system has proved effective in achieving a feature film's maximum potential. Despite the variations that pay television's emergence may engender, this new medium should find and appropriate place in the sequential distribution system".

(Paramount Pictures to the F.C.C.
December 7, 1975)

Et peut-être aussi, grâce à l'effort de la télévision par câble, le propriétaire de cinéam disposera-t-il d'un plus grand nombre de films canadiens, intéressants et rentables non seulement pour ses artisans et producteurs, mais pour lui-même.

Proposition 10: Des obligations de contenu canadien très précises devront être établies, sur la base éventuelle de 30% la première année, 40% la deuxième année, 50% la troisième année, et augmentant sans cess pour susciter et favoriser la production canadienne.

Proposition 11: Le développement de la télévision à péage devrait se faire parallèlement avec l'établissement d'une stratégie globale d'aide au développement du long-métrage, réunissant tous les organismes concernés, et particulièrement la SDICC.

Proposition 12: Le système de télévision à péage devrait consacrer au moins 50% des sommes destinées à la production canadienne à la fabrication de longs-métrages, où il jouerait un rôle de support et de complément.

Si l'industrie du long-métrage se développe de façon organisée, si elle bénéficie de moyens importants, si son expansion devient vraiment un objectif prioritaire pour toutes les parties concernées, on sera surpris des résultats. Il est faux de prétendre que le créateur ou que le producteur canadien n'est intéressé qu'aux aspects artistiques ou intellectuels du film qu'il entend réaliser... Il veut que son film soit vu, au Canada et à l'étranger, et qu'il soit aimé par le public. Il ne demande qu'à en avoir les moyens.

Si le long-métrage doit devenir l'un des pivots centraux de notre système de télévision à péage, il ne faut pas qu'il élimine, bien au contraire, les autres formes de productions. Il est vrai qu'aux Etats-Unis, beaucoup de réseaux de Pay TV utilisent le long-métrage presque exclusivement... Mais cette situation a tendance à se modifier. Il est tellement plus facile de programmer un long-métrage que d'inventer de nouvelles sources de programmation capables d'intéresser le spectateur! C'est là aussi le défi qui nous attend, assorti d'un double écueil, proposer au téléspectateur un programme intéressant, sans concurrencer de plein fouet et faire double emploi avec la télévision traditionnelle. Si on prend pour base que 50% des revenus bruts destinés à la production canadienne iront au long-métrage, il en reste 50%, soit, au départ environ 7,500,000 dollars, pour le sport, les variétés, l'information, le document, l'émission pour enfants, soit

toutes les autres formes d'émission que pourra proposer au téléspectateur son réseau de télévision à péage. Que ce soit un concert en direct ou en différé de la Place des Arts, le dernier spectacle de Gordon Lightfoot au O'Keefe Centre, une pièce de théâtre du Centre National des Arts d'Ottawa, une partie de ballon-panier, une course automobile, une continuité sur le développement du grand nord, une série avec le professeur Guillemain, le système de télévision à péage proposera au téléspectateur une nouvelle alternative.

Plus flexible que la télévision traditionnelle, non reliée aux contraintes publicitaires, capable de modifier facilement son horaire, de répéter la même émission plusieurs fois durant la même semaine, ou le même mois, d'innover dans l'expérimentation à certaines heures en dehors et même en "prime time", de diffuser en d'autres langues et sous d'autres formats, la télévision à péage a son rôle à jouer, de divertissement et d'information.

Par la même occasion, le réseau aurait intérêt à faire l'étude de la disponibilité des produits canadiens, non utilisés par la télévision traditionnelle. Le réseau pourrait alors contribuer à une politique de recherche, de protection, de diffusion et de gestion des oeuvres canadiennes, laquelle nous fait tant défaut à l'heure actuelle. Il devra d'ailleurs établir des relations suivies avec les réseaux de télévision traditionnels, qui souvent voudront utiliser du matériel déjà passé au réseau de télévision à péage.

Il faudra aussi rechercher des formules originales. Ce n'est pas en tentant de faire compétition aux émissions américaines sur leur terrain qu'on y arrivera... Kojak coûte \$360,000 l'épisode, All in the Family \$225,000, The streets of San Francisco \$350,000... C'est en trouvant autre chose, qui rejoindra peut-être un peu moins de monde, mais qui satisfera grandement une partie de l'auditoire potentiel, de très bonne qualité tout en coûtant beaucoup moins cher... Citons par exemple une série sur l'économie canadienne à l'heure actuelle, vulgarisée par un spécialiste de talent, tel Fernand Séguin, concentrée sur une semaine... Bien publicisée, une telle série, comme l'avait obtenu celle du Professeur Guillemain récemment à Radio-Canada.

Et pensons à l'impact très important qu'aurait l'injection dans la production privée canadienne de 7,500,000 dollars, destinés aux autres formes de production que le long-métrage. Alors qu'à l'heure actuelle, on estime qu'il n'y a pas plus de 2,500,000 dollars qui sont dépensés annuellement pour de la véritable production privée et indépendante, et ce dans toutes les sphères de la télédiffusion. (Hug H. Edmonds Report, August 1976)

Evidemment, il arrivera que des émissions puissent faire double emploi avec la télévision traditionnelle, où qu'une concurrence existe entre les deux. Il n'est pas souhaitable que cela se généralise, mais on ne pourra éviter, même si des règles précises déterminant le jeu, comme c'est le cas aux Etats-Unis, des affrontements. Nous estimons que ceux-ci seront positifs, et que c'est le téléspectateur qui en profitera, puisqu'il se verra offrir une nouvelle alternative. Il est évident que des mécanismes devront être

mis au point pour éviter une concurrence trop acharnée, et des cycles harmonisés d'utilisation des produits, mais cela ne nous semble pas être un obstacle fondamental et insurmontable.

Et encore là, il ne faut pas exagérer les dangers potentiels. Le rapport de Paramount Pictures à la FCC, remis le 1er décembre 1975, rappelle ce que la commission déclarait pour étayer sa thèse à l'effet que le passage de longs-métrages à la télévision à péage ne nuira pas à la télévision traditionnelle.

"In view of this evidence, it is unreasonable to conclude either that pay television will unduly delay the availability of feature films for broadcast television, or that delay, should it in fact occur, will decrease the popularity of feature films with conventional television viewers. The more logical conclusions are (i) that the delays now occurring between the date a typical feature film enters theatrical distribution and the date it is shown on conventional television are caused by market factors unrelated to the emergence of pay television, (ii) that such delays are part of the natural functioning of the sequential distribution system, and (iii) that such delays do not diminish the value of a feature film in the conventional television market".

Et Paramount conclue: "Pay television of features will not delay or preclude their appearance on conventional television".

C'est particulièrement vrai au Québec où à la suite de circonstances que l'on connaît, et du dernier refus du CRTC, la troisième chaîne de télévision n'a pu voir le jour....

La télévision à péage deviendra un autre choix pour le spectateur qui le désire, en plus de stimuler la production et le développement de centre de production indépendant de Radio-Canada et de TVA.

D'ailleurs nous continuerons de croire que l'avènement de la troisième chaîne au Québec est important et nécessaire et qu'il ne devrait pas être retardé trop longtemps. Cette troisième chaîne n'entrerait pas en conflit avec le réseau de télévision à péage, puisque les deux concepts sont fondamentalement différents. Dans cette optique, nous ne croyons pas que l'installation d'un service ait préséance sur l'autre, et suggérons plutôt que les deux soient installés parallèlement.

Proposition 13: Il est impératif que la télévision à péage favorise le développement non seulement de la création de longs-métrages, mais de la production de toute une gamme d'émission dans d'autres domaines, sports, variétés, culture, enfant et expérimentation etc...

Proposition 14: Cette production devra tenter de ne pas faire double emploi avec la télévision traditionnelle, afin d'offrir une véritable voie nouvelle aux téléspectateurs.

On voit donc que nous favorisons vraiment une production canadienne importante, en plus des films et émissions procurés à l'étranger. C'est que, dans la vision que nous avons du système proposé, le téléspectateur pour un paiement mensuel n'aura pas droit à un choix "au rabais". Le réseau proposerait un minimum de

sept heures par jour de programmation, étant entendu que différents éléments de celle-ci pourraient être répétés sur une période d'une semaine ou d'un mois.

Proposition 15: Nous favorisons une programmation minimum de sept heures par jour, tous les jours, avec possibilités de reprises afin de vraiment offrir au téléspectateur un choix complet.

Compte-tenu de tout ce qui précède, il nous apparaît évident que le développement du système de télévision à péage doit être planifié, organisé et géré en fonction des objectifs primordiaux qu'il aura à rencontrer. Il est aussi évident que le Canada Français du fait de son contexte socio-culturel différent, ne pourra être traité de la même façon que le Canada Anglais.

Nous croyons que le système de télévision à péage doit être créé et administré par ceux qui cotoient et vivent tous les problèmes de l'audio-visuel depuis des années. Ils sont nombreux, mais leur définition est précise. Tous auront un rôle de premier plan à jouer dans l'établissement du système envisagé. Il y a tout d'abord le Gouvernement, dont le rôle ultime est de représenter le citoyen, le téléspectateur, et que devra en quelque sorte être l'arbitre des inévitables conflits qui surgiront entre les autres parties. Puis, il y a le télédiffuseur, spécialiste de la question, dont il sera souhaitable qu'il envisage son rôle d'une façon positive. Le télédiffuseur peut apporter beaucoup à la télévision à péage du fait de son expérience, s'il l'envisage autrement que comme un compétiteur qui lui ravira du public ou des émissions qu'il

souhaite obtenir. Le cablodistributeur a aussi un rôle à jouer puisque ce sont ses installations qui dans plusieurs parties du pays seront utilisées pour transporter le signal. Mais en dehors du gouvernement, du télédiffuseur et du cablodistributeur, il est primordial qu'une large part soit laissée à ceux qui auront la responsabilité de créer et/ou d'obtenir le produit qui sera diffusé, le producteur et le distributeur.

Le rôle que le producteur indépendant sera amené à jouer dans le réseau de télévision à péage sera de premier plan. Il nous apparaîtrait inutile et ridicule que le réseau proprement dit dispose de moyens de production. Pourquoi vouloir créer une structure de production lourde, à l'instar de Radio-Canada, CTV ou TVA, alors qu'il existe une foule de producteurs indépendants, habiles, et compétents, qui ne demandent pas mieux que de faire appel aux ressources les plus diverses pour créer des émissions destinées au réseau. Enfin, on échapperait aux goulots d'étranglement que constituent les facilités actuelles de diffusion, et on irait chercher de la création en dehors des canaux habituels servant aux télédiffuseurs. On susciterait aussi de nouveaux producteurs avec de nouvelles idées... C'est ainsi qu'on aère les ondes, qu'on innove, et qu'on tente de mieux satisfaire le téléspectateur. Nous recommandons donc que toute la production soit confiée à des entreprises de production indépendantes, appartenant à des canadiens, et évaluée à partir des mêmes critères que ceux appliqués par le Conseil pour les propriétaires de station de radio et de télévision.

Le distributeur est malheureusement pour plusieurs le grand inconnu du monde de l'audio-visuel et des communications. On fait de lui, au hasard des interprétations, un exploitant de salles, un vendeur, un producteur, un "packager"

un acheteur etc... C'est que son rôle, capital car il est au centre de l'activité, reste le plus discret. Mais il est essentiel... Au Québec, en particulier, le distributeur fut le facteur moteur du développement de l'industrie du long-métrage.

Aussi importante que les succursales de maisons américaines, bien qu'elles aient souvent à lutter contre elles avec des moyens inégaux, les sociétés de distribution indépendantes du Québec, contrôlées entièrement par des intérêts canadiens, sont responsables de l'importation de la quasi-totalité des films de long-métrage venant d'ailleurs que des Etats-Unis. Elles importent les films, leur trouvent une sortie et une exploitation au Canada Français, assurent leur promotion, et vendent ceux-ci par la suite à la télévision. Quant au film canadien, les sociétés de distribution indépendantes ont produit ou co-produit la plupart de tous les films faits au Canada au cours des dernières années, jouant là un rôle additionnel de producteur, de co-producteur ou même de "packager", et assurant par la suite la distribution et la promotion de film au Canada et à l'étranger. Le distributeur aura donc la responsabilité d'approvisionner le réseau de télévision à péage en films, séries et autres documents, de l'étranger et du Canada.

"The key element in the pay-TV service in Canada is not going to be one exhibition level (most likely the cable systems) but the program supplier level, where the link between exhibitors and producers in Canada has to be made"

Simon Fraser University Report, May 1976

Il est essentiel que par une réglementation appropriée sa fonction soit reconnue par le réseau de télévision à péage, qui devra favoriser l'essor et le développement de la distribution indépendante, pour qu'à son tour celle-ci puisse continuer à agir encore plus efficacement que par le passé, dans le développement de notre industrie de la production. Dans cet esprit, il devrait faire partie des règlements du réseau que toute production audio-visuelle diffusée par le réseau devra être achetée d'une société de production canadienne, dont les critères d'éligibilité au titre de "société canadienne" devront être rigoureusement établis à partir des bases appliquées aux propriétaires de stations de radio et de télévision du Canada.

Nous recommandons que ce soient ces cinq partenaires, Gouvernement, Télédiffuseurs, Cablodistributeurs, Producteurs et Distributeurs qui constituent les cinq partenaires ayant pour mission de créer, puis de gérer le réseau de télévision à péage du Canada. Le réseau serait purement administratif, puisqu'il ne disposerait ni de facilités de production, ni de moyens de diffusion sauf si, à l'expérience, ceux-ci faisaient si cruellement défaut qu'ils obligeaient le réseau à suppléer à la tâche. Mais ce serait très regrettable. Nous favorisons donc une société mixte, dans laquelle, pour veiller à l'intérêt public et établir une réglementation qui aurait toujours priorité sur des intérêts particuliers, et divergent le gouvernement, par le biais d'une agence ou d'une corporation de la couronne, aurait 51% des parts. Les autres partenaires se partageraient à égalité le 49%

Tel qu'expliqué avant, il serait entendu que les profits seraient établis à un maximum autorisé, et tout profit dépassant ce maximum serait ré-investi dans la production canadienne.

Afin de bien respecter l'identité culturelle du Canada, ce réseau serait bicéphale, c'est-à-dire que la même structure se retrouverait au niveau francophone et au niveau anglophone. La corporation de la couronne nomerait des représentants dans chacun des deux conseils, tandis que l'industrie privée serait représentée par des représentants de chaque groupe, à la suite d'ententes qui interviendront dans chaque secteur, anglophone comme francophone.

Il y a cependant un grand danger à cette structure bicéphale, car elle favorise évidemment l'isolationnisme pour les deux entités socio-culturelles. Autant il nous apparaît impossible d'avoir un seul conseil capable de bien représenter les deux groupes, autant il faut éviter que les deux composantes aillent chacun leur chemin, ratant par le fait même l'occasion de s'échanger du produit, de co-produire et d'acheter ensemble, etc... Il faudra donc être très vigilants, afin d'installer des mécanismes qui garantiront des relations suivies et étroites entre les deux conseils.

Nous croyons de plus que cette corporation de la couronne devra être différente et indépendante de toute structure existante, et qu'elle ne devra surtout pas résulter d'une fusion avec la SDICC, qui doit continuer de jouer son rôle propre et bien déterminé, lequel devrait être de veiller exclusivement au développement de l'industrie du long-métrage canadien.

- Proposition 16: Le réseau de télévision à péage devrait être créé et géré par cinq organismes constituant: le Gouvernement, par le biais d'une corporation de la couronne, majoritaire à 51%, les télédiffuseurs, les câble-distributeur, les producteurs et les distributeurs, chacun à parts égales.
- Proposition 17: Le réseau de télévision à péage ne devrait disposer d'aucun moyen de diffusion, ni d'aucune facilité de production. Toute émission produite au Canada devrait l'être par un producteur canadien et toute émission achetée au Canada ou à l'étranger devrait l'être d'un distributeur canadien. Les critères d'éligibilité au titre de producteur et de distributeur canadien doivent être très stricts et rigoureusement appliqués.
- Proposition 18: Nous recommandons qu'au delà de ceux établis à un maximum autorisé, les profits réalisés par le réseau soient ré-investis pour la production canadienne, en plus des 15% de base.
- Proposition 19: Le réseau devrait être bicéphale, avec un conseil pour le Canada français et un autre pour le Canada anglais. Des mécanismes devront garantir des relations continues entre les deux conseils.
- Proposition 20: Cette corporation de la couronne devrait être autonome et différente de toute structure existante.

Le réseau de télévision à péage envisagé devrait être accessible, au même prix, dès que possible, à tous les canadiens, qu'ils soient en milieu urbain, rural ou même très éloigné. Il apparaîtrait en effet anormal et injuste que seule une partie de la population canadienne

y ait accès, pour des raisons techniques. Dans cette optique, il conviendrait donc d'étudier dès maintenant tous les moyens à notre disposition pour assurer au maximum de canadiens ce nouveau service. Dans les régions où il existe, le cable est évidemment le moyen le plus efficace. Il rejoint déjà un très grand nombre de foyers, et l'arrivée de la télévision à péage favorisera certainement son expansion. Mais il ne faut pas limiter l'accessibilité de la télévision payante par le seul cable. Car il nous semble essentiel de rappeler que, pour nous, le cable est au service de la télévision à péage, et non l'inverse...

Lorsque la télévision à péage pourra être transportée par un autre moyen que le cable, soit par satellite, soit par télédiffusion directe d'une antenne UHF, il faudra qu'elle le soit, pour rejoindre le plus grand nombre de canadiens. La grande erreur serait, pour nous, de confondre télévision à péage et cable. L'une est un service, un produit, l'autre n'est qu'un transporteur. L'important est que ce service, parvienne à un maximum de canadiens, en utilisant les moyens existants et en développant de nouveaux.

Le rôle du transporteur, quelqu'il soit, devrait être de transporter ou de transmettre la programmation du réseau. Sa participation aux décisions n'interviendrait donc pas au niveau du transport de la programmation, mais plutôt au niveau du conseil du réseau, qui établira cette programmation. Le CRTC attribuerait donc des licences techniques au cablodistributeurs; stations UHF, ou autres,

pour diffuser et/ou transporter la programmation du réseau. Au départ, nous croyons qu'il vaut mieux songer à une seule programmation pour le réseau français, et la même chose pour le réseau anglais. La programmation locale n'interviendrait que dans une deuxième étape, alors que la programmation-réseau sera solidifiée. La programmation locale nous apparaît plus être d'ailleurs du ressort de la télévision traditionnelle ou communautaire, qui rend compte des événements locaux.

Aux Etat-Unis, par exemple, la télévision à péage par télédiffusion directe prend de plus en plus d'ampleur. On estime que dans trois ans, elle aura dépassé le cable en nombre d'abonnés...

"In view of the FCC, over-the-air pay television is now on its way. Two or three years from now it may well eclipse cable pay in number of subscribers... The technology for unscrambling the program and charging for its viewing is costly, but over-the-air distribution of one TV signal is very much cheaper than cable... Not only can over-the-air broadcast extend Pay TV to the less settled areas, it could also provide something akin to the basic service now supplied by cable to the urban areas, helping to equalize services and possibility aiding in offsetting the continual migration to larger centres. Over-the-air Pay TV could also serve our urban centers as it will in the American major cities, if it becomes impossible to arrive at some agreement with the cable operators.

(Hugh H. Edmunds, Cinema Canada)

Rien n'empêche qu'au Canada, un système mixte soit installé, utilisant le câble, ou la télédiffusion directe ou par satellite, ou même aussi les deux simultanément, pour rejoindre les téléspectateurs et démocratiser l'accès à la télévision payante.

Proposition 21: La télévision à péage doit être accessible à tous les canadiens, le plus vite possible, en utilisant les moyens de transmission les plus efficaces.

Proposition 22: Le câble est au service de la télévision à péage et non l'inverse. Il doit jouer son rôle de transporteur, comme il le fait pour les programmes des stations traditionnelles.

Proposition 23: Il faudra évaluer rapidement comment, en plus du câble, la télévision à péage peut être offert à tous les canadiens, et ce afin de démocratiser son accès, qui ne devrait pas être conditionné à l'abonnement du câble.

L'installation de la télévision payante au Canada aura d'autant plus d'impact sur le développement de nos ressources créatrices et de nos énergies de production si elle sait s'intégrer dans un effort plus global visant à organiser la survie culturelle du Canada. Cet effort, qui résultera de l'interaction de tous les groupes concernés, sera le seul capable de vraiment nous faire démarrer sur le plan national et international. Si un livre ou une peinture sont l'oeuvre d'un homme, un long-métrage est le résultat des efforts d'un grand nombre. Ce n'est qu'en unifiant les efforts qu'on arrivera à nos fins, et la télévision payante nous donnera une magnifique occasion de le faire. C'est pour tous ceux qui oeuvrent dans les communications et l'audio-visuel au Canada le défi du futur.

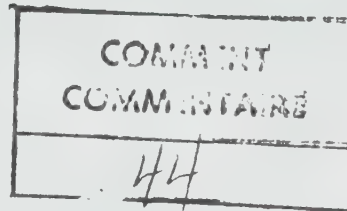


independent television
channel 13, edmonton

5325 - 104 St., Edmonton, Alberta T6H 5B8 / (403) 436-1250

September 29, 1976

Mr. Harry Boyle,
Chairman,
Canadian Radio-Television and
Telecommunications Commission,
100 Metcalfe Street,
OTTAWA, Ontario. KIA ON2



Dear Sir:

Edmonton Video Limited agreed to be signators to the Private Broadcaster's submission because of our mutual agreement that Private Broadcasters should control the Pay Television Corporation.

We do not think, however, that the Private Broadcaster's submission meets the objectives of Pay Television as outlined by yourself and the Hon. Mme. Sauve and for this reason are submitting the attached brief.

If public hearings are schedule for oral presentation on the subject of Pay Television, Edmonton Video Limited would welcome the opportunity to present our proposal.

The enclosed brief is the viewpoint of a new Independent station drawn from experiences we have encountered in the broadcasting and production community.

Yours Very Truly,

D.M. Holtby, C.A.,
General Manager.

DH/mo
Encl. (1)

cc: Guy Lefebvre

Received by - Rega per
SECRETAIRAT

SEP 30 1976

C.R.I.C.

PROPOSED GUIDELINES FOR THE INTRODUCTION OF PAY TELEVISION IN CANADA

**SUBMITTED BY:
CITY, EDMONTON
EDMONTON VIDEO LIMITED**

Edmonton Video Limited agrees with the following objectives concerning Pay Television as outlined by Mr. Harry Boyle, Chairman of the CRTC and the Minister of Communications, the Honourable Madame Sauve.

Mr. Boyle: "We (CRTC) are determined that Pay TV should develop to primarily benefit Canadian broadcasting, the Program Production Industry and Canadian creative talent".

Hon. Mme. Sauve:

"We must ensure that it brings maximum benefit on a National plane to all the groups interested in broadcasting -- Private and Public Broadcasters; Cable Operators; Program Producers; Actors; Writers, and most of all, the Canadian Public".

"It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the Broadcasting System".

"It must ensure the production of high quality Canadian programs that Canadians will watch".

"It must ensure that programs are produced in Canada for International Sale".

"The introduction of Pay Television into Canada must be used to develop a truly Canadian Production Industry".

However, if the above quoted objectives are not achievable at this time, WE STRONGLY RECOMMEND DEFERRAL OF THE INTRODUCTION OF PAY TELEVISION FOR THE IMMEDIATE FUTURE.

On September 1, 1974 CITV commenced broadcasting as an independent television station in the Edmonton area. Our principal goal was to offer the audience an "alternative" viewing choice. Consequently, CITV's programming and production philosophies were designed to provide the Edmonton audience with the best of American productions and a true variety of the most outstanding Canadian, independently-produced programs. Over the past two years, we have purchased well over two Million dollars worth of programs from these sources.

Above and beyond this we also believed that programming could be produced in Edmonton which is of an artistic and technical quality acceptable to other Canadian stations and Foreign program purchasers as well. To this end we have invested well over Four Million dollars in the production of programs for Domestic and International distribution.

The principal focus of our current production is a series called CELEBRITY CONCERTS. This series, featuring a multitude of International stars such as Anne Murray, Henry Mancini, Tom Jones, Englebert Humperdinck, Vikki Carr, Leslie Uggams, Johnny Mathis, Roberta Flack, Charles Aznavour, etc. in concert with members of the Edmonton Symphony Orchestra, has been sold in over ninety United States Markets as well as Ecuador, Argentina, El Salvador, France, Hong Kong, Venezuela, Australia, Spain, Panama, Sweden, Phillippines, Curacao/Aruba, Jamaica, Trinidad/Tobago, Nicaragua, Honduras, Chile, Norway and South Africa.

These concerts are produced and financed by CITV and provide Edmontonians with the rare opportunity to see live, in-concert artists who would not normally include Edmonton in their tours. This aware-winning series has thrilled one of the largest viewing audience ever enjoyed by a Canadian produced program.

Negotiations are still in progress in other countries and we are confident that further sales will be contracted. These concerts are not a financial success at this point; however, they certainly can be considered artistically successful.

Unfortunately, we have encountered our greatest difficulties in syndicating this product in Canada. Exhibition of this series was finally achieved through barter. We eventually sold the first twelve concerts, after trying unsuccessfully to sell by the conventional method, to a major television advertiser who places the product in exchange for advertising

time. Even with the influence this advertiser has, placement has proven to be extremely difficult. For example, this product has not been seen in the Montreal market, almost two years after the series commenced. It appears to be a policy of the Canadian Networks to purchase only productions produced by affiliate stations.

This situation is very similar to that which exists for the Motion Picture Industry in Canada. Because foreign interests have acquired virtually a monopoly over exhibition and distribution, Canadian productions find it discouragingly difficult to obtain exhibition opportunities in Canadian movie houses. In Canada, the producers of television programming have experienced difficulty in obtaining exhibition opportunities unless the product is produced on a cooperative basis with one of the networks.

It is not surprising that Canadian Production has not developed when exhibition is not readily available in Canada except through Independent Television Stations.

It is with this experience in mind that we now present our proposal for Pay Television, which we believe satisfies the objectives as outlined by Mr. Harry Boyle and the Hon. Mme. Sauve.

PROPOSAL

1. Ownership

Pay Television should be established, organized and operated by a National Pay Television Corporation with the ability to transmit in both English and French. This Corporation should be owned by Private Broadcasters with no group or association having effective control. Private broadcasters will be the most negatively affected sector of the broadcast community by the introduction of Pay Television. Increased fragmentation, primary and secondary siphoning, are certain to affect revenues of all broadcasters. The implementation of a single Pay Television Corporation to act as a purchasing and funding vehicle for Canadian produced programs will encourage new Canadian productions and aid in the development of a truly Canadian Production Industry.

2. Delivery

Programs funded and purchased by the Corporation should be delivered free of charge over delegated Cable channels and supplied free of charge to off-air broadcasters in rural areas where cable is not available. We have taken this position because the introduction of yet another service on Cable will further increase penetration of Cable services in Canada. The Cable Industry has enjoyed a phenomenal 400% growth in the past eight years.

3. Costs

We believe that the service should be available to all Canadians and not just to those with the ability to pay. For example, a nominal charge of \$1.00 per month to all cable subscribers would generate approximately \$36 Million in annual revenue. There are a number of benefits in approaching the structure of the Pay Television Corporation in this way:

(a) If a fee of \$8.00 per month were charged, a great number of Canadians would be unable or unwilling to subscribe. If we are to "create wider viewing opportunities for Canadian programs" (Hon. Mme. Sauve, June 2/76), we must ensure that the largest viewing audience possible be made available. This can only be accomplished by offering this service at a fee which will not create unnecessary financial hardships to Canadians.

(b) It reduces the requirement of large outlays of funds for the capital purchase of hardware which only purpose would be to restrict access to a truly Canadian signal.

(c) The figure of \$13.5 Million has been mentioned as funds available to Canadian producers, at a subscriber charge of \$8.00 at 35% penetration (Hon. Mme. Sauve, June 2/76). The gross receipts at a penetration level of 35% is approximately \$90 Million. The difference of approximately \$76.5 Million would theoretically be to fund program purchases,

equipment purchases, operating expenses and a return on investment. This seems to us a high price for the Canadian public to pay to generate \$13.5 Million for Canadian producers.

4. Programming Content

We agree with the Hon. Mme. Sauve's statement "One of my greatest fears about Pay Television is that the Pay Television Operator like the conventional broadcaster will tend to cater to the lowest common denominator of the viewing audience".

Because broadcasters depend on advertising revenues for their very existence, delivery of large audiences is essential. The implementation of a nominal surcharge on cable fees would eliminate the necessity of programming for mass audience appeal/viewer acceptance. There are large numbers of Canadians which have been ignored by conventional broadcasters because of their interest preferences, ethnic backgrounds, educational development and so forth.

We believe programming of this service should be geared to satisfy as wide a range of personal appetites as possible. Broadcasts of Parliamentary Debates, educational programs, opera, dramatic theatre, ethnic programs, instructional programs, physical fitness programs and so forth, supplemented with mass appeal programs acquired from Independent Canadian Producers, would be viewed by a large segment of our society not presently being served by conventional broadcasters.

5. Canadian Content

We believe that the Pay Television channel should have a 100% Canadian content requirement. This would ensure that Canadian producers have access to a National distribution service for the exhibition of their product and would guarantee that funds generated from this service were spent in Canada. We must not allow the advent of Pay Television to develop into one more vehicle for the propagation of American Culture and Philosophy into the Canadian Psyche.

6. Production Funds

The revenues generated from the Pay Television service would be distributed in a variety of ways to purchase Canadian programs, commission Canadian production companies to produce specific Pay Television programs and to provide funds to aid Canadian producers in the production of programs which have the potential of foreign sales.

The awarding of production funds must be on the basis of merit only.

SUMMARY

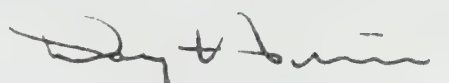
We visualize Pay Television as possibly the most significant addition to the Canadian production community in recent years. The potential of this particular project is overwhelming, but the mere magnitude of such a venture does not guarantee any increased viewing audience. The Canadian people represent an extremely discernable viewing audience. They will not watch a Pay Television Network merely for the sake of it's novelty. If we are to pursue this project, we must commit ourselves to fulfilling a rather substantial void which now exists in the present Canadian broadcasting structure. The Hon. Mme. Sauve unequivocally states "The introduction of Pay Television into Canada must be used to develop a truly Canadian Production Industry. We cannot lose this opportunity by focussing on new hardwares or structures in isolation. We must ensure that an integrated system is encouraged to develop". Pay Television must be the foundation on which can be built a truly viable and nationalistic Canadian program production industry.

We believe that our proposal, unlike others, is a positive one which meets the objectives of Pay Television and takes into careful consideration the enormous potential of this venture. Consequently we propose the following:

1. The establishment and licensing of one National Pay Television Corporation to assemble and purchase programming from private Canadian producers.
2. That this network be owned and operated by private broadcasters.

3. That there be a 100% Canadian content requirement.
4. That there be a minimum surcharge of \$1.00 per month to each cable subscriber.
5. That the Corporation should establish a production fund from the revenue generated by the surcharge. This fund should be made available to all producers of television and film product.
6. That Pay Television must not be permitted to transmit commercial messages or any form of commercially sponsored program.
7. That the Pay Television Corporation should acquire programs which appeal to the otherwise neglected portion of the Canadian viewing audience as well as Canadian mass appeal programming.
8. That the CRTC should instruct all Cable systems to supply the necessary channels in order to transmit the Pay Television Network. The Cable systems should not receive any financial consideration for this service. The programs originally carried on the Pay Television Network should be made available to off-air broadcasters where Cable does not exist.
9. That Pay Television should not be permitted to carry programs or live telecasts normally broadcast by the conventional television systems.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "D.M. Holtby", with a stylized flourish at the end.

D.M. Holtby, C.A.,
General Manager,
Edmonton Video Limited.



TELECOMMUNICATIONS

CANADIAN NATIONAL

A. J. KUHR
GENERAL MANAGER
181 FRONT STREET WEST, TORONTO, ONTARIO

CANADIAN PACIFIC

J. G. SUTHERLAND
GENERAL MANAGER
740 NOTRE DAME ST. WEST, MONTREAL, QUEBEC

23 September 1976

Mr. Harry Boyle
Canadian Radio-Television
Telecommunications Commission
100 Metcalfe Street
Ottawa, Ontario

COMMENT
COMMENTAIRE

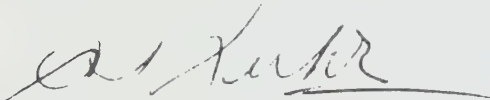
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Dear Sir:

Your request for submissions respecting the introduction of Pay TV in Canada has motivated CNCP Telecommunications to join with Agra Industries' principal officials in preparing a submission paper herewith enclosed which reflects our combined views as to how Pay TV could be introduced in Canada.

This paper is the result of joint discussions with Agra and delineates what we feel is an effective approach in providing this new service to the Canadian public. We look forward to appearing at the forthcoming public hearing on this subject.

Yours truly,


General Manager
CN Telecommunications


General Manager
CP Telecommunications

Att.

Received by - Regu par
SECRÉTARIAT

SEP 30 1976

FILE

AGRA INDUSTRIES LIMITED

September 21st, 1976.


Mr. Harry Boyle, Chairman,
Canadian Radio-television Telecommunications Commission,
100 Metcalfe Street,
Ottawa, Canada.

Dear Mr. Boyle:

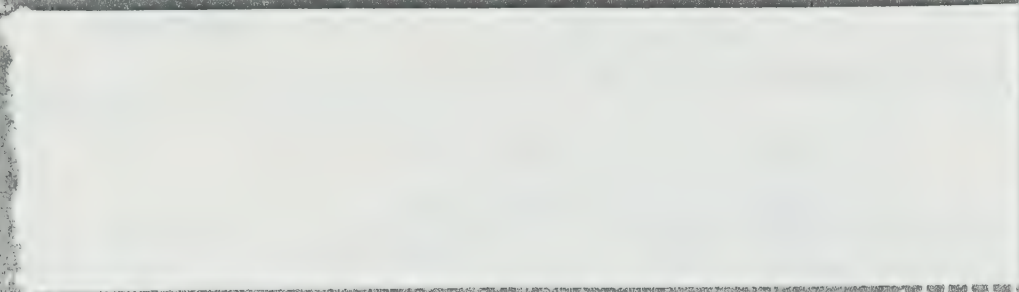
In response to your request for submissions regarding the introduction of Pay TV in Canada, officers of AGRA Industries have spent a considerable amount of time working with officers of CNCP Telecommunications to develop a joint philosophy regarding our concept of how Pay TV could be made to work in Canada and how CNCP/AGRA could participate in this endeavour and help to make it work. The result of our joint discussions is summarized in our submission paper which is herewith enclosed.

I hope that you will find our submission interesting, informative and perhaps helpful in crystallizing your own philosophy on this new and major potential in the communications field in Canada. I would appreciate your invitation to appear, along with my colleagues in CNCP Telecommunications, at your forthcoming public hearing on this subject.

Sincerely yours,


B. B. Torchinsky, President.

BBT/st



CNCP

PRESENTATION BY
CNCP TELECOMMUNICATIONS AND AGRA INDUSTRIES LTD.
TO
CANADIAN RADIO-TELEVISION AND
TELECOMMUNICATIONS COMMISSION
REGARDING PAY T.V. IN CANADA

Télécommunications
CNCP

AGRA

SEPTEMBER 30, 1976

CNCP AGRA

INTRODUCTION:

In recent addresses to the Canadian Cable Television Association convention in Toronto on June 2nd, 1976, The Honourable Mme. Jeanne Sauvé, Minister of Communications and Mr. Harry Boyle, Chairman of the CRTC invited proposals regarding the inauguration of Pay TV in Canada.

Mme. Sauvé stated that the "....fundamental consideration is to encourage development of a delivery system which provides new outlets for Canadian programs and wider viewer choice to the Canadian audience". She also stated that ".... however, even in Canada, many people do not have cable and the CRTC may decide that in certain circumstances other systems of delivery should merit consideration".

Mr. Boyle stated that "....the Commission will be asking for responsible and informed comments or proposals for the establishment of entities to formulate and distribute pay television program packages in French and English".

This presentation has been prepared jointly by CNCP Telecommunications and AGRA Industries Limited (CNCP/AGRA) in response to the above invitation for proposals for the development of a Pay TV system in Canada. We believe that the most effective method of signal transportation throughout Canada is via satellite transmission and that CNCP/AGRA is capable of providing this service via satellite and most capable of providing the overall "Signal Transportation" function. We will attempt to demonstrate in this presentation how our proposed "delivery system/signal transportation" addresses itself affirmatively not only to the directions indicated by Mme. Sauvé and Mr. Boyle, but also to other relevant aspects of Pay TV.

As companies who are vitally interested in and concerned with the field of communications, CNCP/AGRA are very pleased that an early start of Pay TV is being considered. We feel that Canadians will benefit from this auxiliary television service. Pay TV will not only enrich and broaden Canadian life by providing more choice in the fields of entertainment, education, sports and the arts, but, at the same time, Pay TV will provide an outlet for the production side of these fields, encouraging them and contributing financially to their development.

The term Pay TV, which suggests that over-the-air TV is free, is misleading. All TV is paid for either by increased cost of goods to cover advertising or by taxation to cover

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government grants. This new auxiliary TV, or Pay TV, if you will, is an additional choice of TV which will be paid for by subscription.

A careful study of the recent statements made by Mme. Sauvé and by Mr. Boyle about TV in Canada leads us to visualize that Pay TV would best and most efficiently be instituted in Canada by three organizations working together. These three organizations would be:

- The Program Packager
- The Signal Transporter
- The Local Distributor

Each group will have its own specific role to play in the overall Pay TV network and each is essential to the overall success of Pay TV in Canada. The following is a brief description of each of the three elements of Pay TV as we visualize them:

PACKAGING

At one end of the Pay TV network, the "Program Packager" will have to invest substantial capital and other resource effort to put together an interesting, varied and saleable package. Obviously, the responsibilities of the program packaging group will play a major role in the success of Pay TV from both an economic as well as a sociological point of view. Consequently, the selection of the program packaging group and the regulatory controls applied to this group will require most careful consideration and evaluation by the CRTC.

The "Program Packager" is a most vital link in the chain of fostering Canadian program production. From the announcements made to date, we anticipate that major proposals will be presented by various groups with the intention of becoming authorized as the licensed program packaging agency.

DISTRIBUTION

At the other end of the Pay TV network, the "Local Distributor" will also play an extremely important role. Most logically, the local distribution of Pay TV to individual subscribers will be carried out by either the local Cable TV system, or by the local Television Broadcaster, or possibly by both in different parts of the country. In either case, the "Local Distributor" will carry the Pay TV signal throughout the

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community in a controlled form which he will make available to subscribers only when they agree to purchase the signal.

The "*Local Distributor*" will have to invest substantial capital in the necessary hardware to accomplish this and then be prepared to actively promote the sale of the Pay TV signal to individual members of the community. In order to encourage local distributors to become involved in Pay TV in the first place, an obviously saleable package must be continuously made available by the "*Program Packager*", the pricing structure must provide the potential for a reasonable profit to the "*Local Distributor*" for his efforts, and a continuous marketing and service effort must be provided to encourage more local distributors in all parts of the country to participate in the industry if it is to grow and develop properly.

SIGNAL TRANSPORTATION

Standing as a bridge and linking the program packaging group with the myriad local distributors across Canada is a job we visualize will be carried out by the "*Signal Transporter*". This is the function in which CNCP/AGRA are particularly and jointly interested and it is in connection with this phase of the industry that we would like to address most of our comments in this presentation.

THE ROLE OF THE SIGNAL TRANSPORTER:

The most primitive and, at the beginning, probably the most economical technique to transport Pay TV program signals across the country could be to tape them and "bicycle" these tapes to those areas where a "*Local Distributor*" has set up the hardware necessary to provide services to subscribers willing to pay for them. Under such operating conditions, Pay TV would be very limited in scope and the need for a separate organization to provide "*Signal Transportation*" services across Canada could be questionable.

However, as Pay TV develops into a mature industry, a rapid increase in the number of subscribers as well as the number of communities subscribing to and demanding the service across the country will quickly render the bicycling of tapes as uneconomical and inadequate. The use of terrestrial facilities in concert with bicycling of tapes may satisfy the growth demands of the industry for a short time, which does not subscribe to the stated government intent. However, the demand for service in more remote areas will quickly eliminate conventional terrestrial facilities as an economical

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alternative, and the use of satellite transmission will ultimately become the logical answer for Pay TV transportation throughout Canada.

The role of a signal transportation company within the Pay TV network is ultimately involved with the use of satellite transmission of the signal. Because the development of Pay TV as an industry will quickly lead to the requirement of using satellite transportation of the signal, and because the economics of satellite transportation is so dependent on numbers of subscribers, it therefore becomes obvious that, in order to avoid haphazard development of the industry caused by dealing with signal transportation problems on a piecemeal basis, an organized approach to the problem right from the beginning is most advisable. This can best be accomplished by an organization which has been specially set up for this purpose, namely the "Signal Transporter" .

We envisage the role of the "Signal Transporter" as being more than the mere provision of a transportation service across Canada for a given Pay TV program package. We see the "Signal Transporter" as providing the dynamic link between the "Program Packager" and the "Local Distributor". For example, the merchandising of the Pay TV program package must be carried out in two stages. First there is the merchandising of the entire concept to a "Local Distributor" who must be convinced that the investment required for distribution hardware will be a worthwhile one for him to make. Much of this merchandising could be done jointly by the "Signal Transporter" and the "Program Packager". Secondly there is the merchandising of Pay TV to individual subscribers once it is available within a community. While this second stage of merchandising would be done primarily by the "Local Distributor", the "Signal Transporter" could be of great assistance here because of his experience in other communities.

Convincing a "Local Distributor" to take on the added work load and investment required for Pay TV, engineering reception of the Pay TV signal from the satellite and helping to design his distribution system to carry the signal throughout the community will be only a part of the "Signal Transporter's" effort. But it will represent a most important part, since this specific part of his work will go on and on as long as there are communities in Canada that are not yet serviced by Pay TV.

In addition to recruiting and assisting new "Local Distributors" to get started, the "Signal Transporter" will also provide continuing service to established "Local Distributors", to assist them in dealing with local reception problems, upgrading and modernizing signal transmission, selection and control techniques, etc. Furthermore, in a country as large and

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diversified as Canada, a "Local Distributor" who is tied down to one geographic location might easily misunderstand or not appreciate the problems of the "Program Packager". The "Signal Transporter", who is equally at home in all parts of Canada and whose interests include those of both the "Local Distributor" and the "Program Packager", would become the logical liaison between them, providing a direct bridge to assist and help them to understand each other and to work together for the best interests of the industry and the people of Canada.

CNCP/AGRA AS THE SIGNAL TRANSPORTER:

We have described our concept of the overall organization for Pay TV in Canada and, particularly, we have clarified our perception of the role which the "Signal Transporter" would play in this overall organization. Our vision goes one step further - namely, we see ourselves, CNCP/AGRA, as a joint association which will act as the "Signal Transporter".

We firmly believe that only one such association can, in the final analysis, carry on the work of the Pay TV "Signal Transporter". The justification of this belief lies in the economic realities of satellite transmission. Since the cost of satellite transmission is so vitally affected by the number of subscribers contributing to it, the successful provision of economical Pay TV will depend on having all subscribers served by the same signal transportation company, using the same satellite transponder channel(s) and thereby reducing the cost per subscriber for signal delivery across Canada to a relatively small and uniform amount. Furthermore, the existence of only one signal transportation company will ensure that the Pay TV signal will in fact be carried on the satellite and not on a piecemeal system developed by various interests on fragmented and limited terrestrial systems. This in turn will ensure that Pay TV is available to all Canadians, no matter how remotely located.

We further believe that CNCP/AGRA can provide the best organization to carry out the responsibilities of the "Signal Transporter" for the following reasons:

1. Our combined operations already include a wealth of experience in the successful installation and operation of Cable TV, telecommunications and video transmission systems, including both terrestrial and satellite types.

2. We are aware of the significant financial requirements necessary to start such a new business venture, of the inherent risks involved, as in any new venture, and we are prepared to provide the necessary risk capital and other resources.
3. The experience, reputation and credibility we have developed over many years of operations in the related fields of cable television and communications will ensure that we will carry out the responsibilities of the "Signal Transporter" in an efficient and resourceful manner.
4. We are prepared to work closely with any and all potential program packagers. We have already mentioned some of the potential marketing risks and problems which must be faced jointly by the "Program Packager" and the "Signal Transporter", and we are confident about our ability to relate to the "Program Packager" in facing these risks.
5. We are equally confident that we will be able to relate to the "Local Distributor", large or small, regardless of the area in Canada where he is located. The past experience and history of both CNC Telecommunications and AGRA Industries Limited should serve us in good stead to market and recruit local distributors to subscribe to Pay TV, to help get them properly started in the Pay TV field, and to provide ongoing help to them from a technical maintenance point of view as well as being their major liaison with the "Program Packager".
6. Our role as a "Signal Transporter" is more than the conventional role of a carrier because we will work with the "Program Packager" to market the package. Since we would be associated with the "Program Packager" insofar as the risks involved in this industry are concerned, it is reasonable that we should also be involved with him in the development of tariffs for the new service. We recognize that the overall service will be subject to approval of the CRTC, and that consequently we will be subject to ongoing regulation by the Federal Government.

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WHY "SIGNAL TRANSPORTATION" VIA SATELLITE?

CNCP/AGRA believe, as stated previously, that the most viable and integral way in Canada of transporting Pay TV signals throughout the dispersed regions of Canada is via Satellite. Some of the resultant benefits to Canadians at large and to the Pay TV program are as follows:

- Possibility of a uniform rate to subscribers.
- Because of the inherent ability to transmit two video programs per satellite transponder, both French and English Pay TV can be provided simultaneously.
- The ability to achieve rates to subscribers in the range of the average monthly telephone bill.
- The ability to develop and establish Pay TV services for areas where no Cable TV distribution systems exist.

CNCP/AGRA APPROACH TO PAY TV

There must be a very close liaison/bridge between the "Program Packager" and the "Distributors", since the success of this service will depend on attracting a sufficient number of subscribers to make the entire operation economically viable. The rate of subscription to this service will be dependent on the quality of Pay TV programs put together by the "Program Packager" and the energetic merchandising effort mobilized by the "Signal Transporter" to sell the service to the various "Local Distributors" throughout Canada, as well as the efforts of the "Local Distributors" to sell the service to their subscribers.

CNCP/AGRA are prepared to work in concert with each potential "Program Packager" who submits a proposal to CRTC. Also, once the "Program Packager" has been designated by the CRTC, we will work with that body to ensure the effective "Signal Transportation" to Pay TV distributors throughout Canada.

We believe we are best equipped as a "Signal Transporter" to ensure the success of Pay TV because of our:

- Commitment to work with all potential "Program Packagers" and finally with the selected programmer.

CNCP

AGRA

- *Effective assistance in the merchandising of Pay TV to "Local Distributors".*
- *Liaison/bridge function between the "Program Packager" and the "Local Distributors".*
- *Effective technical operation and maintenance of the facilities employed for this Signal Transportation.*

CONCLUSION

We believe that Pay TV can be a positive force, adding to the quality of Canadian life not only in our large, metropolitan cities, but especially in our many small, remote and even isolated communities. It is important therefore to reach these communities right from the outset.

With our relatively small total population scattered over a large area, it is also imperative from an economic standpoint to reach as many subscribers as possible - wherever they may live. The early solution of technical problems involved in reaching these many communities and the efficiency with which suitable arrangements are made with each "Local Distributor" to do so will, in large part, determine the success of Pay TV in Canada.


The above work and responsibility should lie with a specific agency, the "Signal Transporter", and we believe that CNCP/AGRA is the logical organization to carry out this role. We are definitely committed to pursue the aspect of a "Signal Transporter" for Pay TV in Canada and are anxious to work with the selected "Program Packager" and the "Distributors" throughout Canada. However, if too many "Signal Transporters" are franchised, then the market viability of signal transportation will be drastically diminished.

We anticipate that other "Signal Transportation" proposals will be submitted, some of which may be much more elaborate and ambitious than ours. In this regard, we would like to point out that in the end the subscribing public will have to pay for any frills or excesses which one may be tempted to include in designing such a brand new communications development like Pay TV. To build in such excess costs initially would be irresponsible and for this reason a sensible and modest design approach is imperative - one which can be enlarged and diversified as the growth of the industry and demand for additional services increases.

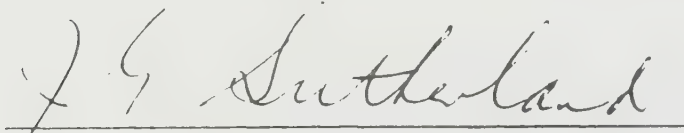
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We believe our proposal is pragmatic and rational and will not impose unrealistic burdens on Pay TV subscribers. Furthermore, we strongly believe that a specific organization should be appointed to carry the responsibility of the "Signal Transporter" and that CNCP/AGRA is the logical organization to carry out this role. We firmly believe we have submitted an affirmative Signal Transportation proposal to attain the desired success of Pay TV in Canada.

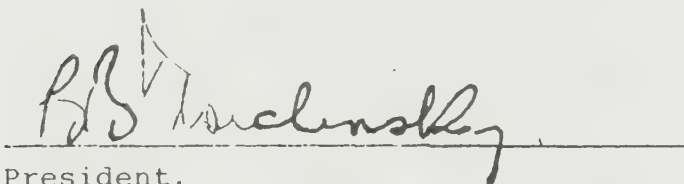
THIS BRIEF IS SUBMITTED ON BEHALF OF CNCP/AGRA.



General Manager,
Canadian National Telecommunications.



General Manager,
Canadian Pacific Telecommunications.



President,
AGRA Industries Limited.

September 30, 1976

CORPORATION CIVITAS LIMITÉE



CIVITAS CORPORATION LIMITED

Bureau du Président

Le 30 septembre 1976

Monsieur Guy Lefebvre
Secrétaire Général
Conseil de la Radiodiffusion et
des Télécommunications Canadiennes
100, rue Metcalfe
Ottawa, Ontario

COMMENT
COMMENTAIRE

Sujet: Mémoire sur la télévision à
péage (TVP)

Mon cher Guy,

Tu trouveras ci-inclus le mémoire, en anglais
et en français, de la Corporation Civitas Limitée sur
le sujet ci-haut mentionné. Tu recevras, séparément, un
mémoire présenté par notre division cinématographique.

Si le Conseil décide de tenir des audiences
publiques sur la télévision à péage, nous sommes disposés
à nous présenter devant celui-ci afin d'élaborer davantage
sur les points soulevés dans notre mémoire ou sur tout
autre point d'intérêt.

Sincèrement

Ed Prévost

EP/mb1

Received By - Name
SECRETARIAT

OCT 1 1976

C.R.I.B.

1155 ouest, boulevard Dorchester, suite 2707
1155 Dorchester Boulevard West, Montreal, Quebec H3B 2K8

A view point concerning the development of a Pay TV program
agency submitted to the Canadian Radio-Television and
Telecommunications Commission by Civitas Corporation Limited.

SUBMITTED TO

THE CANADIAN RADIO-TELEVISION AND
TELECOMMUNICATIONS COMMISSION

BY

CIVITAS CORPORATION LIMITED

September 30th, 1976

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INTRODUCTION

Since it is obvious that the multitudinous discussions on the subject of Pay TV since June 2nd and, in some cases, before, has forced the disclosure of vested interests by everyone partaking in the debate, it is important to declare what Civitas' interests might be.

Civitas is a federally-charted holding and management company with interests primarily located in Quebec. Our main assets consist of Radiomutuel, Canada's first private French-speaking radio network covering 85% of the Province of Quebec and composed of the following leading AM outlets: CJMS-AM Montreal, CJRS-AM Sherbrooke, CJRC-AM Ottawa/Hull, CJTR-AM Trois-Rivières, CJRP-AM Quebec City; in addition, CKMF-FM, the first private French-speaking FM in Montreal, originally CJMS-FM. Related to the network's stations' activities, several divisions and subsidiaries have been established, namely:

Mutual Communications Limited (Mutuelcom),

the national air time sales organization for the network's stations, and others, with offices in Montreal and Toronto;

Telcomex Corporation, consisting of 24 engineers and technicians with the responsibility for

- a) station maintenance
- b) research and development
- c) new patent design for international exploitation
- d) exclusive distribution of NEC broadcasting equipment in Canada
- e) external service contracts to public and private broadcasting operations.

The Mutual News Agency which, in addition to providing regional, national and international news to the network and its members, is expanding its coverage by offering these same services to non-owned and operated stations in the Province.

Mutual Shows Limited, which acts as agent or impressario for local and foreign individual or group stage performances in Quebec.

L.M.S. Musical Publishing Ltd., which concentrates on the publishing or subpublishing rights of movie scores in which we act as distributors, producers or both.

Our other main division of activity involves feature-length films. We are primarily a distributor, acknowledged as the most important French distribution agency in Canada and known as the Mutual Films Corporation. Our production arm, Mutual Productions, has produced more French-Canadian feature-length films for commercial exploitation than any other production group in the country.

In order to support our production and distribution activities, a few divisions or subsidiaries have been created:

Publifilms, charged with the advertising responsibility for all films produced and distributed, from creative to media placement.

Paratel, the public relations vehicle for all films.

Films 16, specializing in the 16mm. exploitation of feature-length films after their movie-house tours and sometimes simultaneously, to special interest groups such as CEGEPS, associations, old age homes etc.

Telemutuelle, the distribution arm selling exclusively to the private and public television markets. In addition to those films produced and/or distributed by us, Telemutuelle also disposes of inventory exclusively for the television industry.

It is obvious that because of our serious involvement in the film business, both as producers and distributors, which will inevitably represent a substantial segment of pay TV programming, when that development finally occurs, our vested interest here is not difficult to decipher. It is for this reason that our film division is also submitting a position

paper on pay TV and also wishes to be heard when and if hearings on the subject are called.

Civitas' position vis à vis PTV is more clearly understood in relation to its aspirations and corresponding activities in the past three years.

THE QUEBEC MEDIA CONTEXT

Civitas has, via its Radiomutuel network and affiliated stations, supported the basic response of the Canadian Association of Broadcasters to which it adheres, on the subject of PTV when the subject was debated publicly at the instigation of the CRTC during hearings held in June, 1975. The basic response was that the introduction of PTV in this country at this time is "premature". As broadcasters, we have detected no great outcry for PTV in the general public. Naturally, we will get murmurs of anxiety at the prospect of commercial free "foreign" movies or sports events which are not now available on the private or public networks and/or stations but at the same time, specifically in the Province of Quebec and perhaps even more acutely in Montreal and Quebec City, we are constantly confronted with the lack of alternatives amongst existing stations and/or networks. In fact, the French-speaking population in Montreal is limited to two outlets, the CBC via CBFT and TVA via CFTM versus two local English stations CFCF (CTV) and CBMT (CBC) as well as three imported American stations (affiliated to CBS, NBC, ABC), the public TV network directed from Vermont and depending on the area of residence enabling antenna reception and/or the cable service, a few other English-speaking (American or Canadian) stations as well. The outlying French stations, available mostly on cable, such as Sherbrooke or Quebec City offer, for all intents and purposes, duplicate programming schedules originating with the CBC or TVA in Montreal. The Provincial Educational Network, Radio Quebec, with a specific mandate as well as limited programming hours, reaches

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less than 2% of the available television audience and is greatly outclassed by all of the domestic and imported signals.

THE IMBALANCE

The evident inequity in programming services, both in radio and television, particularly in Montreal, to serve the needs and cultural aspirations of French-speaking Canadians, has been a subject with which the CRTC has grappled with over the last few years. Recently, the licensing of three new FM stations, and no new English stations, in the Montreal area was announced as a deliberate gesture in order to re-establish the "imbalance" that had been created over the years for historical reasons. That imbalance still exists in television! Is PTV to be looked upon as a viable third alternative, assuming of course, that the service would be exclusively offered in French? Or should we not consider the creation of a third independent French TV station in Montreal? It's all a question of priorities but the answer to us appears abundantly clear. (see appendix for additional note on this matter)

A THIRD SERVICE FOR MONTREAL

As early as 1968, the CRTC publicly made known its interest in the establishment of a third television network in the province of Quebec. In December, 1972, applications were requested. In April 1974, a license was granted. Regrettably, nothing has happened, since as everyone well knows, the licensee was incapable of financing the project. As recently as September 15th, 1976, the license was returned to the CRTC and various people and groups were left holding a bag containing \$800,000.00 less than they originally had without mentioning benevolent time, effort and anxiety and the untold damage and prejudice which that may have caused. In that sense, there is no doubt that Global received far greater support in its attempts to survive by the CRTC than the third service in Quebec ever got - a service which seemed to answer to a far more compelling need than the Global service will ever provide.

Notwithstanding past history, the fact remains that far more would be offered by a third service in Montreal and for that matter, Quebec City, than a PTV system of any description. A third service would offer a more varied programming service and new possibilities of expression. In fact, the CRTC has publicly declared that "a third service constituted an important contribution to the development of the Canadian Broadcasting system in general and to broadcasting services in the province of Quebec in particular". It was looked upon as "a further fulfillment of the objectives of the Broadcasting Act".

The decision to grant the license originally took into consideration "the need to encourage the production of French Canadian programs, at the same time as re-establishing a certain cultural equilibrium in the services offered to television viewers. in the province of Quebec, notably in the region of Montreal, where foreign programs present an overwhelming competition". (author's own underlines)

Nor did the Commission believe that the advent of a third service would prejudice existing services.

If a PTV service on a large scale is "inevitable" as the Minister of Communications has said, the need to establish a third service, and particularly in Montreal, is "critical" and the implementation of same is already several years late, thereby causing untold prejudice to the cultural aspirations of French-speaking Canadians residing in Quebec. At the same time, historical events have stifled possibilities for work by artists, creators, writers, journalists and other artisans of television. New possibilities of expression for the citizens of Quebec and new opportunities for the discovery and promotion of new talent have all been curtailed.

A PTV SERVICE

It is logical to assume that PTV, like any new form of leisure or recreational outlet, is "inevitable". Some are short-lived "fads", others are retained for a period of time, but nothing is permanent in its present form. Everything is subject to change via evolution or replacement by elimination caused by obsolescence. That is the fundamental principle of our marketing system and it is what people have come to expect, even to the dismay and exasperation of many.

Even today, pay-movie systems in Toronto hotels are standard fare. Anyone who travels has tried it once, maybe twice; but what is the rate of use, now that it is no longer an exclusive, attention-grabbing novelty? People have come to expect the service in the same manner as they now expect a shoe-shine cloth on their door-knob. But how many use it?

One can speculate as to the motivations underlying this "pressing need" to introduce PTV into this country. Whatever the real motivations are, the "so called" urgency must not precipitate the establishment of structures, systems and policies that could imperil the entire broadcasting system, sooner or later and, in fact, prejudice the potentially theoretical benefits which PTV itself could offer. In other words, an orderly development of the PTV system must always take precedence over its real or perceived urgency, whatever the motivations may be.

Others have argued with some justification that we already have far too many PTV systems in this country. The CBC already represents more than \$20 per capita through Government funding from direct taxation sources. The advertising on private networks is seen by some as increasing the cost of goods and thereby indirectly creating an additional cost burden on the public. However erroneous that concept may be, it nonetheless

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exists in some quarters. Cable represents a two-tiered direct cost burden. Even though cable is a matter of choice, it is so much a part of our status-conscious, recreationally-hungry society, it is fast becoming as standard a commodity in the home as heating and running water. Yet, people are, in fact, paying substantially for programming services which cost nothing to the cable distributors; and shortly, converter services which will be mandatory, will add an additional cost strain on the consumer. PTV would then add another layer of expense to this never-ending ritual of more and more services at greater and greater expense. This is not to suggest that the idea or the experiment isn't worthwhile. Nonetheless, PTV, as with any new development, must be assessed against a realistic framework.

It is fair to assume, in the light of the above and the known development of the broadcast and cable industries, that PTV will, at least from the outset, be accessible only to those who can really afford it even though some who really can't afford the service, will. Vance Packard will certainly vouch for that!

In spite of this "elitist" probability, it would seem that PTV should be made available to as many Canadians in whatever area and in whatever language at the same price regardless of the system's economic viability in any given region. In the same manner as private broadcasters are strongly encouraged to extend their services in non-economic areas, the same should apply to PTV licencees. However, PTV services need not be uniformly introduced from coast to coast as regional or local priorities, such as the one described in Montreal and Quebec City, should take precedence.

Many, if not most, have seen the delivery of PTV signals to be obviously destined to cable systems. It's neat, easy to control, no fuss. That route would, however, eliminate a great many people who perhaps have no access to

cable now and in the near distant future, if ever, mostly because wiring them would be prohibitively expensive and complex to cable distributors. One can even envisage the possibility that several would-be PTV enthusiasts might want the system without availing themselves and paying for the basic cable service, let alone the converter service. The distribution system should, therefore, be a function of the needs and facilities of each region. Cable, VHF or UHF frequencies where available and eventually satellites, and a combination of one or more would appear to be the most equitable way of offering the service to as many Canadians as possible.

Montreal, in contrast to Toronto and even more so, Vancouver, is but 37% cabled at the present time. More important, however, only 25% of the French-speaking population is cabled and the rate of growth has been slow due to a combination, one would suppose, of lack of interest in cable programming services on the one hand (American networks) and the less favorable economic context of the French-Canadian community which must, of necessity preclude costly frills. A third service in Montreal, at no cost to the public, becomes far more relevant.

In spite of the laudable conditions imposed by the Minister with regard to the development of PTV in Canada, namely non-duplication, high quality Canadian production and it's international salability, we perceive the first condition as being not only unworkable but, perhaps even undesirable within limits. Obviously, broadcasters must be protected, but to what limits? If protection systems are so fool-proof as to deprive either the broadcast audiences or the PTV audiences of a service they demand, we will have rendered services to no one. What the exact guidelines should be might resemble the FCC's proposals on the subject. In any event, that aspect alone requires an exhaustive examination.

With regards to high-quality Canadian production which goes hand in hand with international potential for exposure and sale of same, one can either be a pessimist or an optimist.

French-speaking Canadians have always demonstrated a significantly high interest and allegiance for local productions versus imported, mostly dubbed, programs, at least on conventional television. It's fair to assume that a French-speaking PTV service could more easily grapple with whatever Canadian content criterion is established than an English-speaking PTV service.

The Canadian film industry has had its ups and downs in both French and English. It still produces little and is drastically under-funded. For those reasons and certainly others, the product cannot rival at present with American or European importations. Our film company, in a separate submission, discusses extensively of this subject. The future is largely a matter of faith and desire. We believe that there is sufficient determination in the creative arts' disciplines to vastly improve if not rival with international productions but it will take some time and money, government subsidies over and above those already provided through assistance to Films and the Arts, NFB, CFDC etc... It will more than likely have to depend on a full spectrum of resources, including the provinces.

It appears imminently desirable to us that PTV should be made available in both languages, whenever possible, on any given system that serves a bilingual sector providing that two audio channels (French and English) are provided. Otherwise, no system should be allowed to offer a mixture of French and English programs at different times.

The structure of the program agency is by far the most complex issue with which to contend. Government control

or involvement, directly or via a Crown corporation, is not appealing. Already many broadcasters are hard-pressed in responding to many programming conditions imposed on them by the CRTC.- Canadian content, a music policy for French radio stations, community access on FM which in themselves are not necessarily bad. However, the thought that Government could, for whatever reason, political or otherwise, be the arbiter or the "cultural czar" of what people will eventually see clashes with our concept of free broadcasting and democracy. It can work, but it is awkward and vulnerable to pressures which we may not have even sensed thus far. Consequently, it would seem that the most appropriate solution would be that all successful PTV applicants must, of necessity, collectively create their own programming agency as a private corporation and profit center to assemble produce and acquire programming to be distributed on their various systems. In fact, because of the nature of programming needs, both an autonomous French and English agency would be created with overlapping minority ownerships between the two so as to insure that maximum use of programs procured or produced would occur.

The profile of the eventual licence applicants cannot be defined at this time. It will more than likely include broadcasters, cable distributors, producers and program distributors and perhaps even, new entrepreneurially-oriented individuals who wish to develop the system. They may or may not require funding assistance from the start, from private and or public sources, but they should remain independent and eventually self-sufficient. The agencies themselves should be required to answer to the CRTC on all matters pertaining to their program procurement and production policies and activities as well as their moral and financial contribution to the Canadian program production industry. Insofar as the financial contribution is concerned, whether it be the highly-quoted 15% or some other formula, it's irrelevant at this point.

The agency should be allowed to make a reasonable return on its investment, probably by government decree, and the rest will take care of itself. Percentage debates are irrelevant if the PTV service is not accepted in the first place.

In view of the points highlighted thus far in a cursory manner, it is evident that the issue is so complex, the interests so diverse, that a public hearing on the subject would not only be useful but absolutely essential. Otherwise, those not directly involved with broadcasting as it stands today, but the eventual recipients and financiers of the service, will be deprived of their rights as citizens.

Our principal recommendations therefore are:

- I Public Hearings on the structure of a pay TV program agency and the eventual development of a PTV system in Canada are mandatory (P11)
- II PTV should not be simultaneously and uniformly introduced throughout every region in Canada. (P7)
- III A third "so called" conventional television station in Montreal and Quebec City must precede and thereby preclude for a period of time the introduction of PTV in the province of Quebec (PP4-5)
- IV PTV's program offerings should be offered on the most equitable and efficient distribution system available in a given region. Cable, VHF or UHF frequencies where available and eventually satellite transmission to the home or a head-end facility, or a combination of one or more should constitute the framework for PTV's transmission. PP7-8)

- V Duplication with programs now offered by Broadcasters will occur and should within limits, but can be minimized by the establishment of guidelines and directives by the CRTC after exhaustive examination and reference to FCC efforts in this area. (P8)
- VI The advent of a viable PTV system in Canada is conditional on a fully integrated pooling of resources, Federal and Provincial, in order to adequately subsidize the production industry. Otherwise, Canadian productions will not be competitive nor exportable vis à vis the existing foreign product. (P9)
- VII PTV should be made available in both languages, whenever possible, on any system that serves a bilingual sector providing the availability of two separate audio channels (French and English). Otherwise, no system should offer a mixed bag of French and English programming at different times. (P9)
- VIII The structure of the PTV program agency should be as follows:
- a) Two separate autonomous French and English program agencies with overlapping minority ownerships so as to insure maximum use of programs and productions.
 - b) Private ownership, with the possibility of being funded publicly and/or privately.
 - c) A Profit Center, with a R.O.I. limit as decreed by government.

- d) Ownership profile consisting of all successful license applicants, as a condition of license, thereby assuring the presence of broadcasters, cable distributors and other entrepreneurs.
- e) Both agencies answer to the CRTC on policy and finance. Statements are available to the public.
- f) Percentage contributions to the Canadian production industry are really a function of volume and are not definable at this point. (PP9-10)

A P P E N D I X

The question of priorities, insofar as the Montreal area is concerned, raises another interesting alternative. Might we not consider the simultaneous development of both a third service as well as PTV by using the same hardware? Both a VHF and UHF frequency is available in Montreal for simultaneous broadcast. Cable still has a low penetration, particularly amongst the French-speaking population (25%), thereby eliminating that distribution system, in part at least, for the delivery of a PTV signal.

If, as some have suggested, the reticence in establishing a third service in Montreal is one of economics, although that argument is disputed by us, the marriage of the two services into one economic model might go a long way in alleviating whatever concerns exist.

Although we have no precise economic or programming models to submit at this point, we believe the concept to be sufficiently meritorious so as to be examined more closely.

LA TELEVISION A PEAGE

Point de vue sur la création d'une structure et l'implantation
d'un système de télévision à péage au Canada, et plus
particulièrement au Québec.

PRESENTE AU

CONSEIL DE LA RADIODIFFUSION ET
DES TELECOMMUNICATIONS CANADIENNES

PAR

LA CORPORATION CIVITAS LIMITEE

Le 30 septembre 1976

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INTRODUCTION

Il va de soi que les nombreuses discussions sur le sujet de la télévision à page avant et depuis le 2 juin dernier, soulignent l'importance de divulguer les intérêts de tous et chacun des groupes ou individus qui participent au débat. Il est donc important selon nous de vous faire part ici des intérêts de Civitas dans cette polémique.

Civitas est une compagnie de gestion à charte fédérale dont les intérêts se retrouvent principalement au Québec. Parmi nos principaux actifs nous pouvons mentionner Radiomutuel, le premier réseau radiophonique privé d'expression française dont le rayonnement permet de rejoindre approximativement 85% de la population canadienne-française du Québec. Le réseau Radiomutuel est composé des stations MA suivantes: CJMS-Montréal, CJRS-Sherbrooke, CJRC-Ottawa/Hull, CJTR-Trois-Rivières et CJRP-Québec, toutes des chefs de file dans leur région respective. Nous exploitons de plus la station CKMF-FM, originellement CJMS-FM, qui fut la première station MF privée diffusant à Montréal.

En fonction des activités des stations du réseau, plusieurs filiales ont été établies. Ces filiales sont:

Les Communications Mutuelles Limitée (Mutuelcom)

Une maison de représentation nationale pour les stations du réseau Radiomutuel ainsi que diverses stations à travers le pays. Les bureaux de Mutuelcom sont situés à Montréal et Toronto.

La Corporation Telcomex Limitée, qui embauche 24 ingénieurs et techniciens en radiodiffusion.

Les activités de cette compagnie sont:

- a) Maintien en bonne condition de l'équipement technique des stations et du réseau Radiomutuel.

- b) Recherches et développement
- c) Brevets d'invention sur équipement technique pour fins d'exploitation internationale
- d) Distribution exclusive d'équipement en radiodiffusion fabriqué par Nippon Electric Company, Tokyo, Japon.
- e) Contrats de service pour diverses entreprises en radiodiffusion publiques et privées (studios et surtout transmetteurs)

L'Agence de Nouvelles Mutuelles, qui, en plus d'offrir des bulletins de nouvelles régionales, nationales et internationales au réseau et à ses stations affiliées, procède actuellement à l'extension de sa distribution à travers la province de Québec en offrant ces mêmes services à d'autres stations non-affiliées à Radiomutuel.

Les Spectacles Mutuels Limitée, qui agit comme agent ou impresario auprès de divers artistes ou groupes d'artistes, canadiens ou étrangers, désirant se produire sur scène au Québec.

Les Editions Musicales L.M.S., qui agit principalement comme éditeur ou sous-éditeur des trames sonores des longs-métrages distribués et/ou produits par notre division cinématographique.

Notre deuxième secteur d'activité est la production et distribution de longs-métrages. La Corporation des Films Mutuels est reconnue comme la plus importante agence française de distribution de longs-métrages au Canada. D'autre part, Les Productions Mutuelles Limitée ont produit, directement ou indirectement, plus de longs-métrages commerciaux canadiens-français que n'importe quelle autre maison de production au pays.

Afin de seconder nos compagnies de distribution et de production, plusieurs divisions ou filiales ont été formées:

Publifilms: pour la création et supervision des campagnes de publicité pour les films que nous produisons ou distribuons.

Paratel: pour les relations publiques

Films 16: pour la distribution de nos films dans des versions 16mm. à des groupes spécialisés tels CEGEPS, Associations, groupes de l'Age d'Or etc...

Telemutuelle: pour la distribution auprès de l'industrie de la télédiffusion publique et privée exclusivement. En plus des longs-métrages produits ou distribués par nos compagnies, Télémutuelle dispose d'un inventaire destiné exclusivement à la télévision.

Il est évident que notre implication dans le domaine du long-métrage ne laisse aucun doute quant à nos intérêts actuels et éventuels dans l'implantation d'un système de télévision à péage. Quand cette implantation deviendra réalité, il est certain que le long-métrage représentera une portion substantielle de la programmation diffusée par la télévision à péage. C'est d'ailleurs pour cette raison que notre compagnie cinématographique présente également un mémoire au sujet de la télévision à péage et espère comparaître devant le Conseil si des audiences publiques ont lieu.

La position de Civitas face à la télévision à péage se comprend mieux en relation avec ses aspirations et des activités qui en ont dérivé, plus particulièrement au cours des trois dernières années.

LE CONTEXTE DES MEDIA AU QUEBEC

Civitas a, par le biais du réseau Radiomutuel et de ses stations affiliées, appuyé la réponse fondamentale de l'Association Canadienne des Radiodiffuseurs (ACR) au sujet de la télévision à péage lorsque ce sujet fut discuté lors d'audiences publiques qui ont eu lieu au mois de juin 1975. La position alors exprimée par l'ACR était que l'introduction d'un système de télévision à péage au Canada était "prématurée" et qu'un hiatus de cinq ans était nécessaire avant de relancer le débat.

En tant que radiodiffuseurs, nous n'avons pas jusqu'à maintenant décelé auprès de la population un désir fébrile ou besoin pressant d'un système de télévision à péage. La possibilité qu'on lui fera miroiter de voir des films étrangers et récents ou des manifestations sportives non-diffusées actuellement par les stations publiques ou privées, le tout sans interruption commerciale, va évidemment éveiller son intérêt, du moins momentanément. Mais nous devons encore et toujours faire face au même problème au Québec, dans les régions de Montréal et Québec en particulier, à savoir le manque d'alternatives pour les téléspectateurs francophones. En fait, la population d'expression française à Montréal dépend exclusivement de deux sources de diffusion en télévision, c'est-à-dire le réseau Radio-Canada via CBFT et le réseau TVA via CFTM. En comparaison, les anglophones ont le choix entre deux stations anglaises, soit le réseau CTV via CFCF et le réseau anglais de Radio-Canada (CBC) via CBMT. A ces deux stations on doit ajouter trois stations américaines affiliées à chacun des trois grands réseaux américains (CBS, NBC, ABC), le réseau d'éducation publique (PBS) diffusant du Vermont et un certain nombre d'autres stations anglaises (américaines ou canadiennes) dépendant bien entendu du lieu de domicile permettant ou non la réception via antenne ou service de câble.

Les stations françaises de l'extérieur de Montréal, telles Sherbrooke et Québec qui peuvent être captées par le câble, diffusent à toutes fins pratiques la même programmation que Radio-Canada et TVA. Le réseau éducationnel provincial, Radio-Québec, avec un mandat très précis et peu d'heures de programmation, rejoint moins de 2% de l'auditoire et de ce fait est surpassé par toutes les stations locales ou étrangères qui parviennent à rendre leur signal à Montréal.

LE DESEQUILIBRE

Le déséquilibre et l'absence d'équité évidents dans les services de programmation en radio et en télévision, particulièrement à Montréal, afin de servir les besoins et les aspirations culturelles des canadiens-français, a toujours été un sujet avec lequel le CRTC a dû lutter et encore plus au cours des dernières années. L'octroi de trois nouvelles licences MF françaises, annoncé récemment, a été présenté comme un geste visant à rétablir "le déséquilibre" créé au cours des années pour des raisons historiques.

Le déséquilibre existe encore en télévision! Est-ce que la télévision à péage doit être considérée comme une troisième alternative valable présumant évidemment que le service serait disponible en français seulement? Ou ne devons-nous pas considérer l'établissement une fois pour toute d'une troisième station de télévision indépendante de langue française à Montréal? C'est ni plus ni moins une question de priorités mais la voie nous paraît clairement tracée.

UN TROISIEME SERVICE A MONTREAL

Depuis 1968 déjà, le CRTC s'est intéressé publiquement à l'établissement d'un troisième réseau de

de télévision dans la province de Québec. En décembre, 1972, le Conseil se déclarait prêt à recevoir des demandes pour une troisième station de langue française à Montréal et à Québec. En avril 1974, une licence était octroyée. Malheureusement, rien n'est survenu car, comme tous le savent, le détenteur de la licence se voyait dans l'incapacité de financer le projet. Récemment, le 15 septembre 1976 pour être exact, la licence était retournée au CRTC et diverses personnes et groupes ont subi une perte réelle de \$800,000.00 sans mentionner le temps, l'effort, l'anxiété et les dommages et/ou préjudices que toute cette aventure a pu leur causer. Dans ce sens, il n'y a pas de doute que Global, en comparaison avec le troisième service à Montréal et à Québec, a reçu de la part du CRTC un appui moral beaucoup plus prononcé dans sa tentative de survie alors que la survie de ce troisième service semblait vouloir répondre à un besoin beaucoup plus grand et impérieux.

Quoi qu'il en soit, le fait demeure qu'un troisième service à Montréal et à Québec pourrait offrir beaucoup plus que n'importe quel système de télévision à péage. Un troisième service offrirait une programmation plus variée et de nouvelles possibilités d'expression à une fraction importante de la population du Québec. En fait, le CRTC a déjà déclaré publiquement que "le troisième service constituait un apport précieux au développement du système canadien de radiodiffusion en général, et aux services de radiodiffusion au Québec en particulier". En somme, la venue d'un troisième service "s'inscrit dans la poursuite des objectifs de la Loi sur la radiodiffusion".

A l'origine, la décision d'octroyer une licence prenait en considération "la nécessité d'encourager la production d'émissions canadiennes, tout en rétablissant un certain équilibre culturel dans les services offerts aux téléspectateurs du Québec, notamment dans la région de Montréal, où les émissions étrangères

mènent une concurrence envahissante". (L'auteur a pris la liberté de souligner cette partie de la citation)

Le Conseil ne croyait pas non plus qu'un troisième service porterait préjudice aux entreprises actuelles, au contraire.

Si l'établissement d'un service de télévision à péage est "inévitabile", comme le déclarait le Ministre des Communications, le besoin d'établir un troisième service, particulièrement à Montréal, est "critique". Les délais d'implantation de ce troisième service sont déjà excessifs, causant des préjudices énormes aux aspirations des canadiens d'expression française domiciliés au Québec. En même temps, des événements historiques ont étouffé toutes nouvelles possibilités de travail pour les artistes, les créateurs, les écrivains, les journalistes et autres artisans de la télévision. De nouvelles possibilités d'expression pour les citoyens du Québec et de nouvelles chances pour la découverte et la promotion de nouveaux talents ont été enrayées.

UN SERVICE DE TELEVISION A PEAGE

Il est logique de présumer que la télévision à péage, comme toute nouvelle forme de loisirs ou d'activités récréatives, est inévitable. Certaines nouvelles activités, produits ou services sont à la vogue pour de courtes périodes d'autres plus longtemps, mais de nos jours rien n'est permanent dans sa forme originale. Tout est sujet au changement, à l'évolution, au remplacement sinon à l'élimination. C'est le principe fondamental de notre système de marketing et c'est ce à quoi les gens s'attendent même si plusieurs ne l'acceptent pas encore.

Prenons l'exemple des systèmes de films à péage qui sont maintenant monnaie courante dans les hôtels de Toronto. Tous ceux qui voyagent l'ont essayé une fois, peut-être deux,

mais maintenant que ce n'est plus une nouveauté exclusive qui pique la curiosité on peut se demander combien de gens s'y intéressent ou l'utilisent encore. Les gens s'attendent à ce service tout comme ils s'attendent à profiter d'un système d'air climatisé et à retrouver un linge pour cirer leurs chaussures accroché à la poignée de porte.

On peut spéculer sur les motifs réels que dissimule ce "besoin pressant" d'introduire la télévision à péage dans ce pays. Indépendamment des motifs véritables, cette "soi disant" urgence ne doit en aucun cas précipiter l'établissement de structures, politiques et systèmes qui pourraient miner la vitalité, voire l'existence, de l'industrie privée de la radiodiffusion. Ils ne doivent pas non plus, dans des délais plus ou moins courts, porter préjudice au potentiel des bénéfices théoriques qu'un système de télévision à péage pourrait nous offrir. En d'autres mots, le développement systématique d'un système de télévision à péage doit toujours avoir préséance sur l'urgence réelle ou perçue, quelque soient les motifs.

Des personnes ont fait valoir avec une certaine justification que nous avons beaucoup trop de systèmes de télévision à péage au pays. Radio-Canada représentant déjà plus de \$20.00 per capita financés par des octrois gouvernementaux provenant de sources de taxation directe. La publicité diffusée par les réseaux et stations privés est perçue par d'autres personnes comme un élément qui contribue directement à l'inflation ou à l'augmentation du coût des produits de consommation, alourdissant par le fait même le fardeau du coût de la vie que la population doit absorber. En dépit de l'illogisme de cet argument, il n'en demeure pas moins que cette forme de pensée existe dans certains milieux.

La câblodistribution représente un autre fardeau financier à deux tranchants. Bien que l'abonnement au câble soit une question de choix, il deviendra bientôt aussi commun d'y être abonné que d'avoir l'eau courante à la maison et ce parce que le câble fait maintenant partie des moeurs d'une société de plus en plus influencée par des symboles de statut et insatiable au niveau des loisirs et la récréation. Les abonnés (45% de la population du pays) doivent néanmoins déboursier des montants substantiels pour obtenir des services de programmation pour lesquels le câblodistributeur n'a pas payé un seul sou. Les services de convertisseurs qui seront bientôt obligatoires, ajouteront au fardeau financier du consommateur.

La télévision à péage augmenterait encore ce fardeau de dépenses en participant à la pratique courante d'offrir à la population de plus en plus de services à des coûts de plus en plus élevés. Nous ne suggérons point ici que l'idée ou l'expérience de la télévision à péage n'est pas valable. Nous croyons néanmoins que la télévision à péage, comme toute nouvelle expérience, se doit d'être évaluée dans un contexte réaliste.

Il serait juste de présumer, en vertu des données déjà discutées et du développement connu des industries de la radiodiffusion et de la câblodistribution, que la télévision à péage sera, au départ du moins, accessible seulement à ceux qui pourront se le permettre bien qu'on puisse hélas prévoir que certains s'y abonneront sans en avoir les moyens. (Vance Packard serait le premier à nous confirmer cette éventualité)

En dépit et à l'encontre de cette probabilité de distribution à la classe privilégiée, il nous semble que

le service de télévision à péage devrait être offert dans toutes les régions, au plus grand nombre possible de canadiens et dans l'une ou l'autre des deux langues officielles; le tout à un prix uniforme sans égard de la viabilité économique du système dans une région donnée. Le principe qui veut que les radiodiffuseurs privés soient invités à l'extension de leurs services dans des régions peu économiques, devrait également s'appliquer dans le cas de la télévision à péage. Les services de la télévision à péage ne doivent pas toutefois nécessairement être introduits ad mare usque ad mare d'une façon uniforme car des priorités régionales ou locales, comme celles décrites à Montréal et à Québec, devraient avoir préséance.

Plusieurs personnes, sinon la plupart, ont accepté sans présenter d'objections, ou si peu, que la transmission des signaux de la télévision à péage soit destinée au système de câble. Ce système est facile de contrôle, facile d'entretien et ne présente pas de problème. Ce moyen de diffusion éliminerait par contre un grand nombre de gens qui n'ont pas accès au câble présentement et qui ne sont pas assurés d'y avoir accès éventuellement parce que le raccordement serait trop complexe et représenterait un coût prohibitif pour les câblodistributeurs. On peut même envisager que plusieurs personnes intéressées à se prévaloir du service ne désireraient pas pour autant s'abonner au système de base du câble et encore moins au système du convertisseur. Le système de transmission du signal devrait donc tenir compte des besoins et des facilités de chaque région. Le câble, les fréquences UHF et même VHF lorsqu'elles sont disponibles et éventuellement des satellites, ou une combinaison de deux ou plusieurs véhicules serait la façon la plus équitable d'offrir le service au plus grand nombre de Canadiens possible.

Montréal, par contraste avec Toronto et encore plus, Vancouver, est cablée seulement à 37% à l'heure actuelle. Ce qui est encore plus surprenant c'est que seulement 25% de la population d'expression française à Montréal est abonnée au câble et le pourcentage de croissance a été lent. On peut spéculer sur les raisons, qui sont probablement la combinaison d'un manque d'intérêt dans les services de programmation supplémentaires offerts par le câble (réseaux américains) et de la conjoncture économique plus sévère dans la communauté francophone ce qui exclut, nécessairement, les dépenses frivoles. Un troisième service à Montréal, offert gratuitement au public, devient beaucoup plus attrayant.

En dépit des conditions louables imposées par le Ministre en ce qui a trait à l'implantation de la télévision à péage au Canada, à savoir la non-duplication, une production canadienne de très haute qualité et sa viabilité dans le marché international, nous percevons la première condition comme étant non seulement difficile mais, peut-être, même indésirable à l'intérieur de certaines limites. Les radiodiffuseurs doivent évidemment être protégés mais jusqu'à quelles limites? Si les systèmes de protection sont étanches au point où les auditoires de la radiodiffusion ou de la télévision à péage sont privés d'un service qu'ils exigent, nous n'aurons rendu service à personne. Les lignes de conduite précises afin de protéger les radiodiffuseurs devraient ressembler aux propositions du FCC à ce sujet. A tout événement, cet aspect devrait faire l'objet d'une évaluation approfondie.

En ce qui a trait à la production canadienne de très haute qualité qui va de pair avec son potentiel d'exploitation internationale, on peut facilement adopter une attitude pessimiste ou optimiste, selon le cas.

Les canadiens d'expression française ont toujours démontré un intérêt réel et une allégeance marquée pour la production locale par rapport à la production étrangère qui est presque toujours doublée, du moins à la télévision dite "conventionnelle". Il serait juste de supposer qu'un service de télévision à péage en français n'aurait pas les mêmes soucis de se conformer à de quelconques critères de contenu canadien qu'un service de télévision à péage en anglais.

L'industrie du long-métrage anglais et français au Canada a eu ses bons et ses mauvais moments. Jusqu'ici on a produit peu et nos productions ont été pour la plupart sous-financées. Pour ces raisons et d'autres sûrement, notre produit ne peut pas rivaliser à l'heure actuelle avec les importations américaines ou françaises. Notre division cinématographique, dans un mémoire séparé, discute de cet aspect d'une façon plus élaborée. L'avenir est surtout une question de foi et de désir. Nous croyons qu'il existe suffisamment de détermination au sein des disciplines créatrices et artistiques pour améliorer considérablement notre produit, sinon rivaliser avec les productions internationales, mais ceci prendra du temps et de l'argent ainsi que des subventions gouvernementales plus élevées que celles déjà offertes par le biais d'assistance aux Films et aux Arts, l'ONF, la SDICC etc... L'avenir et le succès de la télévision à péage dépendront dans une large mesure de la coordination et du regroupement des fonds provenant de diverses sources, incluant l'appui financier des provinces.

Il est essentiel, selon nous, que la télévision à péage soit présentée dans les deux langues officielles, quand ceci s'avère possible, sur n'importe quel service qui dessert une région bilingue en autant qu'il y ait deux canaux audio séparés (français et anglais). De toute façon, aucun système ne devrait avoir l'autorisation d'offrir un mélange de programmes anglais et français à différentes heures de la journée.

La structure de l'agence de télévision à péage ayant la responsabilité exclusive des programmes est, de loin, le sujet le plus complexe à régler. Une implication ou un contrôle gouvernemental, direct ou par le biais d'une Société de la Couronne, n'est pas attrayant. Déjà plusieurs radio-diffuseurs se plaignent des difficultés qu'ils ont à se conformer à plusieurs conditions qui leurs sont imposées par le CRTC - contenu canadien, politique musicale pour les stations d'expression française, accès communautaire sur les stations FM; conditions qui ne sont pas nécessairement déraisonnables en soi. Toutefois, l'idée que le gouvernement central pourrait, qu'importe la raison, qu'elle soit politique ou autre, s'attribuer le rôle d'arbitre ou de "tsar culturel" et déterminer ainsi ce que les citoyens auront le droit d'entendre ou de regarder, entre en conflit avec notre conception de la radiodiffusion libre et de la démocratie. Ça pourrait fonctionner, mais le gouvernement risquerait de se retrouver dans une position délicate et vulnérable face à diverses pressions non envisagées. Par conséquent, il nous semblerait que la solution la plus appropriée serait d'établir comme condition à l'octroi de licences, le regroupement de tous les détenteurs de licence de la télévision à péage dans cette agence de programmation qui serait une corporation privée qui mettrait les profits en communauté afin d'assembler, produire et acquérir des émissions ou programmes pour diffusion éventuelle sur leurs propres systèmes. En plus, à cause de la nature des besoins en programmation, deux agences autonomes, l'une française et l'autre anglaise, devraient être créées avec des intérêts minoritaires respectifs dans l'autre agence afin d'assurer l'utilisation maximale des programmes que l'on aura produits ou dont on aura fait l'acquisition.

On ne peut pour le moment identifier les éventuels détenteurs de licences. Il est plus que probable, quand même, que les détenteurs se composeront de radiodiffuseurs, de câblo-distributeur, de producteurs, de distributeurs de programmes

et peut-être même, d'entrepreneurs non-impliqués dans l'industrie des communications en ce moment mais qui voudraient participer à ce projet. Ils auront fort possiblement besoin de financement au départ, provenant de sources publiques et/ou privées, mais ils devront demeurer indépendants et s'auto-financer éventuellement. Les agences seront responsables devant le CRTC en toute matière concernant leur politique d'achat de programmes et de production ainsi que leur contribution morale et financière à l'industrie de la production canadienne. En ce qui a trait à leur contribution financière, que ce soit le 15% souvent cité ou une autre formule ça importe peu actuellement. On devrait permettre aux agences d'obtenir un rendement raisonnable sur leur investissement, probablement jusqu'à une limite décrétée par le gouvernement, le reste s'établira automatiquement. Des débats sur des pourcentages sont hors de propos si le service de la télévision à péage n'est pas accepté du public au départ.

En raison des divers points énumérés jusqu'ici d'une façon superficielle et devant la complexité de la question qui regroupe des intérêts tellement variés, il est évident qu'une audience publique sur le sujet serait non seulement utile mais absolument essentielle. Autrement, ceux qui ne sont pas impliqués dans l'industrie de la radiodiffusion telle qu'on la connaît aujourd'hui, tout en étant les bailleurs de fonds et les éventuels téléspectateurs composant l'auditoire de ce nouveau service de la télévision à péage, seront privés de leurs droits de citoyens.

Nos recommandations principales sont donc:

- I Des audiences publiques s'imposent sur la structure d'une agence de télévision à péage et l'implantation éventuelle d'un service intégré de la télévision à péage au Canada. (P14)
- II La télévision à péage ne devrait pas être introduite

simultanément et uniformément dans toutes les régions du Canada. (P10)

III

Un troisième service de télévision dite "conventionnelle" à Montréal et à Québec, doit avoir préséance et par conséquent, exclure l'avènement, pour une période de temps, de la télévision à péage dans la Province de Québec. (P5-6-7)

IV

Les émissions du service de la télévision à péage doivent être diffusées sur des systèmes de distribution qui s'avèreront les plus équitables et efficaces dans chaque région donnée. Le câble, les fréquences UHF et même VHF lorsque disponibles et éventuellement, la diffusion par satellite directement au domicile ou à un centre de réception central, ou une combinaison de l'un ou l'autre système, devrait constituer la charpente du service. (P10)

V

Une certaine duplication avec les émissions présentement offertes par les radiodiffuseurs est inévitable et devrait se poursuivre à l'intérieur de certaines limites, mais pourra être minimisée par l'élaboration de lignes de conduites et de directives établies par le CRTC après une évaluation sérieuse tout en référant aux efforts en ce sens du FCC aux Etats-Unis. (P11)

VI

L'implantation d'un système viable de la télévision à péage au Canada dépend du regroupement des ressources artistiques et financières, tant sur le plan fédéral que provincial, afin de subventionner adéquatement l'industrie de la production. Autrement, nos productions ne seront pas compétitives

et par conséquent n'auront pas de débouchés à l'étranger, par rapport au produit importé. (P12)

VII

La télévision à péage devrait être présentée dans les deux langues, lorsque possible, sur tout système qui dessert une région bilingue en autant que deux canaux audio (français et anglais) soient disponibles. Aucun système ne devrait avoir la permission d'offrir une programmation à la fois en anglais et en français dépendant du moment de la journée. (P12)

VIII

La structure de l'agence ayant la responsabilité des programmes de la télévision à péage devrait être établie comme suit:

- a) Deux agences individuelles et autonomes, anglaise et française, avec des intérêts minoritaires respectifs dans l'autre agence afin d'assurer l'utilisation maximale des émissions achetées ou produites.
- b) Une corporation privée, avec la possibilité d'un financement par des fonds publics et/ou privés.
- c) Un centre de profit avec un taux de rendement sur l'investissement ne dépassant pas une limite décrétée par le gouvernement.
- d) La propriété de l'agence revient à tous les détenteurs de licence, ce qui serait une condition à l'octroi de licences, assurant ainsi la présence de radiodiffuseurs, de câblodistributeurs, de producteurs, distributeurs de programmes et autres individus intéressés.
- e) Les deux agences devront être responsables devant le CRTC de leur politique opérationnelle et financière. Les bilans financiers devront être disponibles au public.

- f) Les contributions de l'agence à l'industrie de la production canadienne seront en fonction du volume et de l'auditoire et ne peuvent être déterminées à ce moment-ci. (P 13-14)



A P P E N D I C E

La question des priorités, en ce qui a trait à la région de Montréal, introduit une autre alternative intéressante. Ne devrions-nous pas considérer l'implantation simultanée du troisième service et du service de la télévision à péage en utilisant le même équipement? Une fréquence VHF et UHF sont actuellement disponibles à Montréal pour diffusion simultanée. La pénétration du câble est encore faible, particulièrement parmi la population d'expression française (25%) éliminant ainsi, du moins en partie, ce système de distribution pour la diffusion du signal de la télévision à péage.

Si, comme certains l'ont suggéré, la réticence à établir un troisième service à Montréal est largement une question de conjoncture économique locale, bien que nous soyons prêts et disposés à prouver que ce n'est pas le cas, le mariage des deux services dans un modèle économique pourrait alléger sinon enrayer les doutes qui pourraient exister.

Bien que nous n'ayons pas de formules financières ou de programmation à vous soumettre en ce moment, nous croyons que le concept est suffisamment valable pour être considéré sérieusement.

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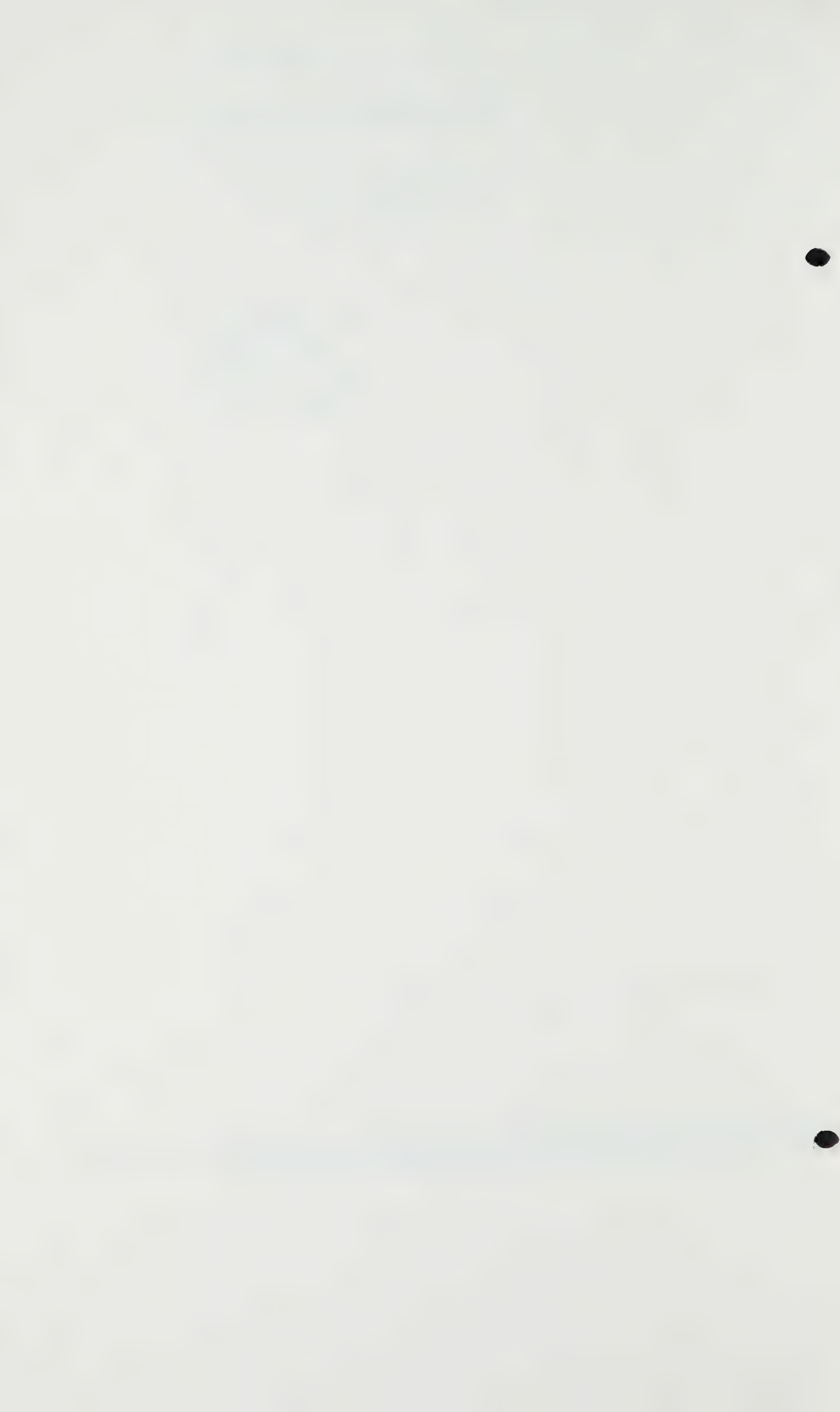
PAY TELEVISION AND THE SMALL MARKET

A PRESENTATION TO THE CRTC
OCTOBER 1, 1976

COMMENT
COMMENTAIRE

47

Presented by Mid-Canada Television



INTRODUCTION

At the outset Mid-Canada Television must go strongly on record as totally opposing the introduction of Pay Television into our marketplace at this time.

We will not attempt to philosophize on the international experiments, merits, and dangers of the National pay television concept, and we do strongly support the deductive processes and submissions made by large individual broadcasters and the Canadian Broadcasting Corporation. Throughout these reports and briefs it is felt that the Commission will interpret a common threat of concern.

We will attempt to bring these concerns down to the local level and interpret some of the impact directly upon the local broadcaster that Pay t.v. will undoubtedly eventually directly affect.

POINTS OF CONCERN

- (a) Cable service as of this date is in a fledgling stage in the Northern Ontario market, the impact of Cable Television itself has yet to be fully felt in the marketplace.
- (b) The situation with regard to syphoning has far more serious impacts in marketplaces such as Northern Ontario where access to some major events is easier to obtain on television because of the lack of a populous metro centre in order to provide closed circuit audiences. In effect syphoning becomes a far more major consideration.
- (c) Mid-Canada Television is forced by geographic constraints, to incur unusually high technical costs in providing off-air service to Northern Ontario. Broadcast service therefore is more vulnerable to metro centre erosion.
- (d) If, some time in the long term future, Pay Television is licensed into the Northern Ontario marketplace, equity controls should be vested equally between the Cable Television operator and the broadcaster. It is felt that the broadcaster would play the active role in assuring proper programming, while being careful not to unnecessarily syphon the over-the-air signal, while the cable operator would provide the technical, administrative, and accounting services that integrate so completely into his existing operation.
- (e) The consumer could well be the ultimate loser.

Mid-Canada Television is a private company serving approximately 600,000 people in Northern Ontario and Northwestern Quebec. The largest single market area that we serve is well under 200,000 people and the framework of our system philosophy has always been "over the air free access to television broadcasting, to be supplied to as many people as possible." We feel that we have almost achieved this very important goal of both our Company and Regulatory Authority under which it operates.

The establishment of free off-air service to both urban and rural communities is an expensive proposition. The capital costs of the transmitter and the associated microwave equipment, however is only the tip of the iceberg. Maintenance, hydro, operational costs, and a myriad of other incidentals make for an hour by hour and year by year cost that continues to rapidly escalate. In short, our urban markets, small though they may relatively be, support via advertising revenue, the expansion of service and the continuation of service to the smaller parts of Northern Ontario.

We would not expect that the numerous small groupings of forest worker homes tens of miles down the side roads of Northern Ontario will be cabled within any of our lifetimes.

All of our urban areas however are presently in the process of receiving the 100% American service that they have been demanding for so long.

THE LOCAL CABLECASTER

Northern Cable Services, that has been licensed to serve the majority of the Mid-Canada broadcast region, has proven to be most sympathetic and co-operative. We have found that the individuals responsible for operating this company have a strong knowledge of the difficulties being encountered by private broadcasting in Northern Ontario, and the deductive abilities to grasp the realities of the overall situation. Indeed long before the announcement by Jeanne Sauve in June of this year, we had been in informal negotiations with Northern Cable Services Limited concerning the possibilities of an experimental pay television system in Northern Ontario. There is no doubt that the north lacks so many cultural amenities that are commonplace in the major cities of our province, yet at the same time the environment for broadcast survival is recognized by all concerned as being the most fragile situation.

There is absolutely no doubt that the cablecaster must in the interest of his company shareholders, campaign vigorously for immediate laissez-faire pay television in order to achieve the optimum usage of the present wired city installations.

The risks to the cablecaster in the capital installation of the necessary passive traps, and the acceleration in computerized billing systems, pales into insignificance when balanced against the risks to the broadcaster of massive audience fragmentation and escalating programming costs via syphoning.

CONFIDENTIAL

The Northern Ontario market area is presently in an almost impossible broadcast economic position. Both the Cambrian Broadcasting System (CTV) and the Mid-Canada Television System (CBC) are engaged in a massive price war directed at the purchase of the finest program properties for the market. Since this is the smallest market in Canada, in which two private affiliates are operating head-to-head, the demands of the semi-annual BBM rating survey, lead to the necessity of purchasing major movie titles and major special programs and attractions, in order to achieve the best rating possible and as a direct spinoff of this activity, the largest proportion of national dollar spending.

IT SHOULD BE NOTED THAT PROPORTIONS
OF NATIONAL ADVERTISING BUDGETS BEING
ALLOCATED TO "FRINGE" OR "B" MARKETS
IS STEADILY DIMINISHING.

Because of this competitive atmosphere, program costs have reached unprecedented highs in recent years and all indications would point to a continuation of this process.

The addition of another program purchaser in the marketplace would have obvious devastating affects. This program purchaser (Pay Television) would have a similar desire...i.e. that of achieving mass audience. The pay television network obviously requires that mass audience to achieve the continuation of his \$6.00 - \$8.00 per month fee for subscription to his service. The broadcaster on the other hand requires the necessary numbers of "thousands of women" or "gross rating points" in order to achieve the delivered audience required by national advertisers. In effect both systems are after exactly the same individual but for indirectly different reasons. Unfortunately, the "prime properties" that make for the high visibility of the predominant television network are those properties that are American made, and have achieved prominence south of our border.

For this reason movies such as "Gone with the Wind" are in great demand by stations such as ourselves and it would be reasonable to expect that they would likewise be in demand by the Pay Television Network.

IT SHOULD BE NOTED THAT THE PRESIDENT OF HOME BOX OFFICE REFERRED TO GONE WITH THE WIND AS AN EXAMPLE OF THE "TRIUMPHS" OF AMERICAN PAY TELEVISION IN BRINGING HIGH QUALITY ENTERTAINMENT INTO THE HOMES OF ITS VIEWERS DURING THIS YEAR.

Mid-Canada Television has on several occasions been the only off-air broadcaster to televise live major heavyweight fights that are available on closed circuit in the rest of the world. This of course is because of the unique geography of our market area, wherein there is no single worthwhile urban centre for the closed circuit or Pay Television people to obtain a mass audience for their service at a local arena. Therefore the residents of this market area have been regularly given the unique opportunity of viewing these attractions when their counterparts in Toronto and Ottawa are paying \$10.00 a seat to watch a heavyweight fight at the local arena on television.

In effect, in Northern Ontario we have the situation of.....

BROADCAST TELEVISION AND THE CONSUMER
BENEFITTING FROM A UNIQUE GEOGRAPHIC
STRUCTURE

IS THERE A NEED????

There has been absolutely no consumer outcry for Pay Television. Surely the consumer is remotely cognizant of the situation wherein he will be the ultimate loser in this Cable Television attempt to derive more revenue from their fixed installations.

If and only if, it is conclusively proven that the public of Northern Ontario needs and desires this service; if and only if, it is conclusively proven that Pay Television can be introduced without serious disruption into various test markets in the country; then and only then do we believe that local broadcast participation and local cable ownership participation should be balanced equally in order to insure the operation of the system in the best public interest.

Specifically we believe that a "network-affiliate" type of relationship is the best method of pay to organization. An overall national corporate identity similar to the CBC or CTV would be crucial as a national purchasing arm, and modifications of this network relationship could be made at various local affiliate levels.

The Mid-Canada Television System has a heavy investment in broadcast hardware. The Company itself is not satisfactorily liquid to get involved in substantial investments in a national pay television company. It is also to be noted that a substantial investment to our company is extremely relative to the total cash situation.

It would be inevitable that our participation in a national pay television company based on any rational allocation by market size or delivered audience would have an end result in our obtaining one or two percent share of such a company with an investment of several hundred thousand dollars.

We would therefore have little say in the operation of the Company, and be put in a position of receiving no return on investment if the major block control of such a Pay Television Company was able to receive benefits from this system via major program production allocations or technical services rendered.

We therefore prefer the "network-affiliate" company relationships whereby the local cable operator-broadcaster affiliate would have full control over their local activities and business processes. This would therefore allow co-operation with localized activities that would have no significant national ramifications but would have significant local ramifications. For example, the final Ontario Hockey League game between the Sudbury Wolves and the Soo Greyhounds would have absolutely no national interest and very limited provincial interest, but would be of substantial Pay Television interest to the residents of those two communities. It would be unlikely that the local television stations could afford the television rights to these hockey games, and it would be equally unlikely that the stations would be able to preempt CTV or CBC national network programming in order to broadcast them at the 8 p.m. live start time from either city.

The Pay Television affiliates in Sudbury and the Soo would work with the broadcasters (since both would have equity in the affiliate company) in renting of mobile and production facilities to originate the broadcast, and the consumer in the markets would benefit by having access to a live local hockey game that they ordinarily would have absolutely no opportunity to view. The local hockey rinks for example in both cities hold no more than 5,000 spectators and are regularly sold out for play-off hockey games.

There are a myriad of examples from professional theatre through to major local concerts that could be broadcast and developed for a prime-time local pay audience. It is felt additionally that any Canadian-owned and operated Pay Television network must live up to the minimum Canadian content broadcast standards for all the reasons given by the Commission in subjecting Canadian broadcasters to these concepts.

It is a basic marketing philosophy that one begins with the target market and works backwards in developing a new service. It is absolutely essential that the consumers' interest be treated with respect and understanding, and that this process of Pay Television introduction work to the long-term good of the consumer as well as the short-term demand.

There is absolutely no doubt that the continuation of off-air broadcasting is essential to the cultural fabric of our country, and any damages to this system, particularly in fragile markets that are becoming rapidly fragmented, must be balanced and compensated for in some free enterprise structure. It is for this reason that broadcasting operations such as ours, that must continue to react to community needs and desires, must be involved in a manner that will allow some revenues to be allocated back to off-air broadcasting service.

The Commission is aware of a recent application by Mid-Canada Television for power increases for a group of small television stations in Kapuskasing, Chapleau and Hearst. All of these markets are operating in a total loss position at the present time, and every economic indicator would point to a continuation of this same situation. However, in the public interest, increases in quality of off-air broadcast service are made by our company, and must continue to be made as equipment becomes obsolete and the state of the art proceeds.

If at any time the Pay Television System commences major bidding against broadcasters for attractions that would normally be made available on off-air broadcasts, it is very difficult to rationalize this into the public interest.

Instead, what we have created is an additional network monster, that will eventually end up being an activity to the total detriment of the home consumer.

Already in our market we have witnessed a minimum of 6 recent occasions when movies came to our television system while they were playing at the local theatres in town. It is totally inconceivable that the Pay Television Network would accelerate the process of movies being released for television, and I believe it would be a unanimous conclusion that the "off-air" television broadcaster would have an additional period to wait while the movie played its run on the intermediate base of Pay Television. Pay Television again for its desire to step in between the Movie House screening and the off-air screening, would be forced to pay an additional premium price for this movie property, and there is absolutely no reason to conclude that the "off-air" broadcaster would benefit from this higher price being paid in the marketplace or the larger number of people that would have seen the movie on their home television sets.

There would seem absolutely no doubt, that Pay Television could be used as a method of selling additional cable connections. In effect it would give the cable operators one more thing to "talk up" and overall market their service. The Commission is aware that this end result is additional fragmentation from outside signals in the marketplace, and in specific additional American fragmentation.

It is therefore suggested that if and when cable television is introduced, the separate corporate structure that is used to manage same, is allowed to market their service in co-operation with cable television, but not totally intertwined to cable television.

THE PAY TELEVISION CUSTOMER MUST BE ALLOWED
TO PURCHASE PAY TELEVISION ONLY IF HE SO
DESIRES. HE SHOULD NOT BE FORCED TO PURCHASE
THE BASIC SERVICE OF CABLE TELEVISION PLUS
THE SERVICE OF PAY TELEVISION. HE MUST HAVE
THE OPPORTUNITY TO HOOK UP TO THE PAY NETWORK
FOR THE USUAL HOOK UP CHARGES, BUT MUST NOT
BE GIVEN ANY INCENTIVE TO SUBSCRIBE TO BOTH
SERVICES SIMULTANEOUSLY.

In effect the consumer must perceive Pay Television as being a totally separate service available to him, although it will be distributed most economically it would appear, on the cable wired grid already in existence.

THROUGHOUT ALL OF THE RESEARCH AND OPEN DISCUSSION, ONE
UNDOUBTABLE CONCLUSION COMES SCREAMING TO THE FOREFRONT.....

There just is not enough factual data available to allow a
far reaching, unilateral, creation that will thrash about establishing
its place in the market. In any empirical situation, rational people
move carefully.

There is still nothing better than the experimental approach
known to our modern society.

It is for this basic philosophical reason, together with the
meshing of this logic with our localized knowledge of the broadcasting
picture that we recommend to the Commission that a pilot Pay Television
project be allowed to operate in a specific market area that is deemed
to be fairly representative of a typical Canadian situation.

CONCLUSION

Pay Television can, if properly managed and developed, serve a useful purpose in the community. We believe that it can provide a useful and complimentary activity to both the present cablecasting and broadcasting operations.

It must be developed slowly, carefully and in a pattern that is tried and proven.

The concerns with syphoning are very real, and the damage to off-air broadcasting is irrefutable.

J. CONRAD LAVIGNE LIMITED

To:

Peray or Chris

Date:

From:

Memo:

This is our Pay T.V.
Brief

Pls. pass it on
to proper people.
Cover letter + more
copies to follow.

A. S. Soud

Please Cover One Subject Only In Each Memorandum



interchurch television (b.c.)

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(14)*

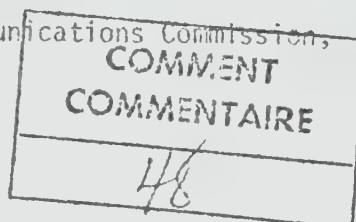
897 HEATHER STREET
RICHMOND, B.C. V6Y 2R7
(604) 277-7431

September 28, 1976

Received by - Reçu par
SECRETARIAT

DEC 1 1976

The Canadian Radio-Television and Telecommunications Commission,
100 Metcalfe Street, T.C.
Ottawa, Canada.
K1A 0N2



Members of the Commission:

Reference: Canadian Pay Television

Your Commission has invited briefs on the structure of delivery and production systems for Pay T. V. in Canada. We are aware of the pressure being put on the Commission by some Canadian cable operators in this regard and welcome the initiatives of the minister and the Commission to retain control of Pay T. V. at this early stage of its introduction into Canada.

Inter-Church Television (B. C.) is a project of major religious denominations in the Vancouver area. For the past 15 months we have been heavily involved in producing community cable programs and experimenting in means of creating community participation in the medium. The Commission will remember our intervention regarding the application of Premier Cablevision for licence renewal in the Vancouver market. It is out of this experience and concern for the future of cable television that we raise the following concerns about Pay T. V.

(1.) PUBLIC DEBATE In the past government has followed a policy of issuing green papers, calling for public debate thereon, and proceeding to the white paper and ultimately the legislative stages. We are concerned lest this process be short-circuited on such an important issue as Pay T. V. We urge the Commission to press for public debate on the "Whether or Not" of Pay T. V. rather than to assume we must have it and jump to the question of delivery and production systems.

PRODUCERS OF "PRESSURE POINT"

(2.) PUBLIC HEARING FOR LICENCE APPLICATIONS The C.R.T.C. has established a process whereby the public is able to intervene in licence applications for broadcasting or cable outlets. We believe the same procedure should apply to applications for Pay T. V. systems. There must be easily accessible means for concerned citizens groups to address themselves to the responsible authorities in matters that have such a powerful potential to shape the future of our society.

(3.) CONTROL OF PROGRAM CONTENT All the provinces in Canada have film classification personnel. In some cases they are civil servants and in other cases they are a board of representative citizens. Up to now broadcasting has been a federal jurisdiction and we are concerned lest control of Pay T. V. drop into the gap between federal and provincial concerns. Pay T.V. moves very close to the film theatre--only that one will pay to see it in one's home rather than at the theatre. But in theatre there is control over who will see what and the public is fore-warned by the classifier's rating as to the nature of the film. With Pay T. V. coming right into the family home, who will give any guidance to parents as to the nature of an upcoming presentation? If it is left up to the promoters or to the subjective opinions of a film reviewer then the public will be poorly served indeed. We believe that there must be a clear answer to this question before there is any discussion of the technical process of distributing Pay T. V. in Canada.

(4.) WILL IT BE CANADIAN? It is obvious that much of the pressure for Pay T.V. comes from the entrepreneurs who see profit returns of 25% and more being offered for their investment. We applaud the intention of Minister Sauve to draw some of those profits into Canadian film production and are of the opinion that the production and delivery systems of Pay T. V. should be kept separate. It would be possible for existing public production units such as the N. F. B., the Canadian

Film Development Corporation, the C.B.C. to participate in such production and the expertise of a variety of world artists could be attracted to Canada in the process. However the productions would inevitably be geared to the international market and unless careful controls are exercised they will not necessarily enhance Canadian values or culture. The productions may very well be produced in Canada, but they may not be very Canadian in their content. The C.R.T.C. Position Paper of February 1975 suggested the need for Canadian content percentages and a scaled approach requiring a minimum of say 35% in the first year, 45% in the second and 60% in subsequent years might be appropriate. This would bring Pay T. V. into line with the existing requirement for commercial television in Canada.

(5.) WILL IT SYPHON OFF THE BEST PROGRAMMING? As exhibited in the attached editorial from the Vancouver Sun, there is a very real danger that quality or top line sports productions which might otherwise appear on the "free" T. V. networks will be syphoned off to the more lucrative Pay T. V. field. We commend the proposals of the C.R.T.C. position paper for a method of controlling the syphoning of sports broadcasts and believe that a similar system should be applied to cultural programming. There seems to be no reason why Pay T. V. should not program a production before the Canadian networks do but we think provision should be made for the networks to use these productions within a specified time. The regulatory bodies will have to be alert to the ways in which cross-ownership of both Pay T. V. and commercial channels may enable the subverting of whatever laws are enacted to control Pay T. V. content.

(6.) WILL IT CATER TO THE LOWEST COMMON DENOMINATOR? The minister has already expressed concern over this possibility. If the only control on Pay T. V. content becomes the profit-motive, it is inevitable that some operators will end up catering to the worst in man rather than

to his best. We are of the opinion that Canada will not be well served by the advent of more violence and "sexploitation" on the television screen. The movie houses provide ample outlets under more controlled conditions for those in our society who wish to seek out such "entertainment". We would hope to see the government set up statutory and regulatory guidelines with enforcement provisions covering the types of material that may not be shown on Pay T. V. and hours in which programs suitable for "family viewing" must be scheduled.

(7.) THE BROADCASTING SYSTEM MUST BE PRESERVED The electronic media have become such a major portion of our way of life that we believe their quality and accessibility must be preserved. The public's right to be informed is of high concern to the Canadian government and whatever developments take place in Pay T. V., the dissemination of citizen information and Canadian culture must never be limited only to those who can pay for it.

(8.) CABLE SYSTEMS MUST HONOUR THEIR COMMITMENT TO COMMUNITY PROGRAMMING It is no secret that to many cable operators the requirements of a community channel are a nuisance to be avoided if at all possible. We believe that Pay T. V. must be prevented from interfering with the development of community programming and that any cable operator seeking a Pay T. V. licence should be required to first prove his dedication to public service by having in operation a high quality of community programming.

We welcome this opportunity to express our concerns to the Commission and hope that such structures as are evolved for Pay T. V. in Canada will continue to reflect such openness on the part of the regulatory bodies. As an inter-church group with representatives chosen by the authoritative bodies of the United, Roman Catholic, Lutheran, Presbyterian, Anglican and Baptist Churches, we are concerned about the

state of T. V. broadcasting in this country. How tragic it would be for our country and our people if television fostered only passive viewing, mediocrity, material desires, and perhaps, human degradation. We are anxious to see television help the human person in his or her growth; to see it stimulate the Canadian mind, the Canadian imagination; to see it foster idealism and creative energy. To this end, we are prepared to cooperate to the fullest possible extent with both government and industry.

Respectfully submitted,

J. E. Baglo

(Rev.) Ferdy E. Baglo, Chairman
Inter-Church Television (B. C.)

Documents Reviewed in the Preparation of this Brief:

Film & Broadcasting Review - publication of the U. S. Catholic Conference
Investment Notes - Pay T. V. in Canada (Burns Fry Limited)
Miscellaneous newspaper and magazine articles - Financial Post, Vancouver
Sun, the Canadian Review, Broadcasting, etc.
A Study Document on Pay Cable (National Council of the Churches of Christ
in the U. S. A.)
Telenation - publication of Canadian Broadcasting League
Honourable Jeanne Sauve's June 2nd speech to the Canadian Cable Television
Association.
C.R.T.C. Position Paper on Pay Television - February, 1975.
Statement by Mr. Harry Boyle at the Nineteenth Annual Convention and
Trade Show of the Canadian Cable Television Association (June 2,
1976.)

Enclosures:

1. Study Document from the National Council of the Churches of Christ in
the U. S. A.
2. Excerpt from Investment Notes (Burns Fry Ltd.)
3. Editorial, Vancouver Sun.

The danger of pay TV

The Canadian Radio-Television Commission is meeting in Ottawa to discuss pay television, specifically the introduction of a national network. But surely the central question is whether pay TV will add to or detract from the quality of Canadian life. Or for that matter, whether we need pay TV at all.

Whether the CRTC will deal with these basic issues remains to be seen. We have our doubts, indications being that the hearings might do little more than pave the way for a further increase of profits and control for the cable companies.

In theory, pay TV could enrich our lives with high quality, alternative programming, such as plays, ballets, and quality feature films not usually aired. The point is, will it? It seems unlikely.

The cable companies are in business to make money — a legitimate activity — but one which should be subjected to the closest scrutiny and strongest controls. This, not only because TV uses public airwaves, and is such a powerful medium, but also because the cable and broadcasting industries are so incestuous.

Cross ownership ties are like the proverbial can of worms. For instance, Western Broadcasting controls Radio NW Ltd., BCTV, and Northwest Sports Enterprises, owners of the Vancouver Canucks. Premier Cablevision has an 11.5 per cent share in Northwest and a 7 per cent share of Vancouver's White Caps soccer team.

The recent CTV cancellation of its highly successful Wednesday Hockey Night series lends a possible significance to these cross ownerships.

A few months ago CTV was boasting of the success of the show: now it has been cancelled on the grounds of prohibitive costs. Is it possible that MacLaren Advertising, which owns the rights, is setting it — and us — up for a sale to pay TV?

The CRTC position paper on pay TV shows surprisingly limited concern with some of these issues. It is a position, not a policy, paper, yet in its own way is a stunning document, the absence of expressed concern being almost proportionate to its acceptance of national pay TV as a fait accompli.

The paper does raise some issues. Won't it further fragment audiences already split by a surfeit of channels? Won't importation of more foreign programs further inhibit Canadian productions? And the question raised above: what is there to stop the big audience shows on conventional TV being "siphoned" off into pay TV?

If the CRTC digs in and holds out for honest, realistic answers, the hearings will be a great public service. There is little evidence, so far, that it will.

A pity, because the ultimate result could well be that, within a decade, we'll all be paying fat fees monthly to some monstrous monopoly for a service little different from the one we now receive with minimal cable costs.

Vancouver Sun



NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

COMMUNICATION COMMISSION

Room 860, 475 Riverside Drive, New York, N.Y. 10027

William P. Thompson, President Claire Randall, General Secretary

Mr. William F. Fore
Assistant General Secretary
for Communication

The Rev. D. Williams McClurken
Executive Director for Broadcasting
(212) 870-2573

The Rev. Dave Pomeroy
Director, Broadcast Production
(212) 870-2574

July 30, 1976

Lois Boyce, Coordinator
Interchurch Television (B C)
897 Heather Street
Richmond, B C
CANADA V6Y 2R7

Dear Ms Boyce:

In response to your letter of July 23 regarding pay television, I am enclosing "A STUDY DOCUMENT ON PAY-CABLE", which was prepared by the Communication Commission's Cable Committee, and revised by the Government and Industry Broadcast Committee.

I hope your committee will find this document helpful in formulating your submission to the Hon Jeanne Sauve.

Sincerely,



Mary Most
BROADCAST OPERATIONS

/mm
encl

A STUDY DOCUMENT ON PAY-CABLE

In addressing the issue of pay-cable, it is important to recognize that there are two kinds of issues: 1) economic (e.g. "pay-cable" vs. "free television"), and 2) long-range policy or philosophical (e.g. public service and ascertainment responsibilities of all present and emerging telecommunications systems). Definition of terms is difficult. Coaxial cable may not long remain the means of distribution. "Pay-cable", as we now know it, may well evolve into something more generic, which might be called "home subscriber distribution"--involving primarily mass distribution programming and dependent on not one but a number of distribution systems (e.g. MDS, satellite-to-home, over-the-air). Thus, the current debates over FCC pay-cable rules, "siphoning", "warehousing", etc. are only one part of a more comprehensive picture involving debate over what is in the best public interest for development of all these systems.

The debate over whether pay-cable should be a viable part of our telecommunications systems has, to date, centered largely on economic considerations. Pay-cable's principal raison d'etre is often viewed as a profit-making function within the full spectrum of cable communications, with an entertainment emphasis (movies, sports). Those who defend pay-cable see this profit-making function as a way to provide revenues which would help in establishing other cable services--origination, access, minority-interest programming, community services. Those who oppose pay-cable's development see it as potentially siphoning programming away from those who now see it on "free" television, thus providing an entertainment locus that would primarily serve the rich and middle-class.

Pay-cable, as it is now called, is only one small part (albeit a potentially highly profitable part) of emerging telecommunications systems that will affect home viewing and communicating patterns. It is important to see these systems wholistically--to urge responsible government, industry, and private sector entities concerned with telecommunications to develop comprehensive national plans and policies for the orderly development of these various systems. We believe that the most important questions to ask in developing

such comprehensive policies are: 1) will the community have a in determining what telecommunications services it will get?, and 2) will these services be accessible to the entire community?

In terms of pay-cable, then, we would raise these concerns as ways of responding to the two questions above: 1) that pay-cable include public service and educational aspects in its programming; 2) that community ascertainment be a required input into pay-cable programming to ensure that public interest and all segments of the community are served; 3) that pay-cable enhance, rather than take away from, local community program and service opportunities on cable systems, and 4) that pay-cable will not penalize lower-income groups in providing alternatives for educational and entertainment programming.

Obviously, meeting these concerns will impinge on the economic structure of pay-cable. However, our conviction that these concerns must be part of considering pay-cable development stems in part from the 1934 Communication Act, which uses as a guiding principle that a national resource such as broadcasting (read now: telecommunications systems) must primarily serve public needs. Public needs will not be served, for example, if significant mass entertainment programming is limited to those who can afford it, if culturally minority programming is not consciously and conscientiously built into pay-cable fare, if local origination and access efforts are sacrificed to efforts to build and sustain mass audiences.

How are these concerns to be built into the fabric of pay-cable development as an industry? One possible direction toward an answer, technologically, is the recent development of distributing pay-fare by multipoint distribution services (for example, Cox Cable Company has decided to use MDS for limited distribution of its pay programming), which opens up the possibility of pay-fare being distributed on a common carrier basis, obviating the need for it to develop along with cable systems. Common carrier status also opens up the potential of development and utilization of pay-fare by many different kinds of communicators, interested in minority as well as mass audiences.

But the larger answer to the "how" question comes with public diligence to remain interactive with this young industry and the governmental bodies that are involved with regulation. To this end we pledge ourselves to work with our constituencies and the general public toward a heightened awareness of the opportunities and pitfalls involved in the development of "pay-cable".

We believe that pay-programming is and will increasingly become a significant aspect of our telecommunications future. However, the extent to which it should so become that significant aspect depends on an adherence to the spirit of the Communications Act--that service of the public interest, convenience, and necessity be the primary motivating force behind the development of this medium.

November 14, 1975

Distributed by:

Cable TV and Emerging Technologies
Information Service
Communication Commission
475 Riverside Drive - Room 860
New York, N Y 10027
(212) 870-2541

The Minister indicated that the C.R.T.C. would welcome comments on this proposal and others by the end of the summer. However, the time frame suggests that the Ministry has largely formulated its views. Thus, although the degree of direct government involvement is still a matter of conjecture, more than a few of the cable operators have grave suspicions.

POTENTIAL IMPACT OF PAY T.V. ON AN EXISTING CABLE OPERATION

The following tables show the potential impact on a theoretical cable operation with 100,000 basic subscribers. Net income figures are derived under two scenarios, 30% penetration and 50% penetration, in each case after the first and fourth years of operation. Some basic assumptions are outlined below.

ASSUMPTIONS

- (a) Revenues are \$96 per year for the additional Pay T.V. service;
- (b) Programming is supplied to the cable system at cost, with the profits being taken at the cable system level. Program costs are 40% at a low penetration level, 30% at the high, (although higher in the initial year for each case);
- (c) The systems use a multi-level signal scrambler costing \$60, plus \$20 hook-up cost which is written off in Year I. The equipment is owned by the cable operator. Ten per cent interest costs and 10% declining balance depreciation are assumed;
- (d) Fifteen per cent of gross revenue (\$14) is paid per annum to Canadian producers under presumed C.R.T.C. regulations.

30% PENETRATION

	<u>YEAR I</u>	<u>YEAR IV</u>
REVENUE	\$ 96.00	\$ 96.00
EXPENSES		
Start-up	20.00	--
Commission	12.00	--
Marketing	10.00	2.00
Programming	50.00	38.00
Fees	14.00	14.00
Interest	7.00	3.00
Depreciation	6.00	4.00
General	8.00	8.00
	<hr/>	<hr/>
	127.00	69.00
PRE-TAX PROFIT PER PAY SUBSCRIBER	-31.00	+27.00
AFTER-TAX (50%) PER PAY SUBSCRIBER	-15.50	+13.50

If a \$10 net after tax return per basic subscriber is imputed for basic cable, the impact of Pay T.V. spread over 100,000 subscribers is an additional \$4.35 or 43.5% increase.

50% PENETRATION

	<u>YEAR I</u>	<u>YEAR IV</u>
REVENUE	\$ 96.00	\$ 96.00
EXPENSES		
Start-up	20.00	--
Commission	12.00	--
Marketing	6.00	1.50
Programming	45.00	30.00
Fees	14.00	14.00
Interest	7.00	2.50
Depreciation	6.00	4.00
General	8.00	8.00
	<hr/>	<hr/>
	118.00	60.00
PRE-TAX PROFIT PER PAY SUBSCRIBER	-22.00	+36.00
AFTER-TAX PROFIT PER PAY SUBSCRIBER	-11.00	+18.00

If a \$10 net after tax return per basic subscriber is imputed for basic cable, the impact of Pay T.V. spread over 100,000 subscribers is an additional \$9.00 or a 90% increase.

9/12-2/
(Page 10)

NICHOLAS D. ROTHLOFFER, M.P.

35 RIVERCOURT BLVD

TORONTO

THE CRTC

INQUIRY INTO PAY TV

COMMENT
COMMENTAIRE

#149

Received by - Registrar
SECRETARIAT

OCT 1 1966

C.R.T.C.

SIRS:

In developing this important system of course Canadians are in the position to profit from the experience which the Americans have had with pay TV. Yes the Canadian system must be a non-commercial enterprise and should be all Canadian.

But in deciding whether it should be all Canadian or not to me is the biggest question which face you people.

Personally when looking at quota's as in Canadian Radio I am all for Canadian programming but at the same time I am neither a nationalist or a bigot. I was brought up on multi-culturalism and for that reason I would never agree as a consumer to a 100% system. I think most people realize that pay TV offers Canadians a unique opportunity for the future, however I would leave the door open just a slight little bit.

I would be in favour of a system which is 90% Canadian, you know I don't think that it would be fair to close the door to good quality production which may originate in any country of the world.



